

No. 12721

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United States  
Court of Appeals  
for the Ninth Circuit.

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L. P. ST. CLAIR and ANNASTATIA ST. CLAIR,  
Appellants,

vs.

UNITED STATES OF AMERICA,  
Appellee.

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Transcript of Record

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Appeals from the United States District Court,  
Southern District of California,  
Central Division.



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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

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Los Angeles 12, Calif.



In the District Court of the United States for the  
Southern District of California, Central Division

Civil No. 9711-Y

L. P. ST. CLAIR,

Plaintiff,

vs.

UNITED STATES OF AMERICA,

Defendant.

COMPLAINT TO RECOVER PERSONAL IN-  
COME TAXES ILLEGALLY ASSESSED  
AND COLLECTED

L. P. St. Clair, plaintiff herein, complains of the  
United States of America, a Sovereign Power, de-  
fendant, and for cause of action alleges:

Count One

I.

That plaintiff is an individual who at all times  
herein mentioned resided in the City of Los An-  
geles, State of California, and in the Southern Dis-  
trict of California, Central Division.

II.

That the Internal Revenue (Income) Taxes  
sought to be recovered herein were paid in quar-  
terly installments as follows:

March 15, 1940 .....	\$1,074.94
June 15, 1940 .....	1,074.93
September 15, 1940 .....	1,074.94
December 15, 1940 .....	1,074.94

---

Total .....\$4,299.75

Said taxes were paid to Nat Rogan, an officer of the Government of the United States, the duly appointed and acting Collector of Internal Revenue for the Sixth Collection District of California. That Nat Rogan is not now and has not since June 30, 1943, been acting in the capacity of Collector of Internal Revenue for said Sixth Internal Revenue Collection District of California.

### III.

That jurisdiction of this court over the matters herein related exists by virtue of United States Code, Title 28, Section 1346.

### IV.

That at all times herein mentioned plaintiff and his wife Annastatia St. Clair were the equal co-owners of 300 shares of the common capital stock of the St. Clair Estate Company, a California corporation.

### V.

That on or about December 23, 1938, said St. Clair Estate Company adopted a plan of complete liquidation and dissolution. That thereafter and on January 10, 1939, pursuant to petition of one of the shareholders of said corporation, the Superior Court in and for Kern County, California, assumed jurisdiction over the affairs of said corporation to supervise the winding up of said corporation, the distribution of its assets in final and complete liquidation and the dissolution thereof according to said plan. That pursuant to said plan of complete



liquidation and the applicable law of the State of California relating thereto, the officers of said corporation filed with the Secretary of State for California a certificate of election to wind up and dissolve said corporation.

#### VI.

That at all times herein mentioned said St. Clair Estate Company has remained under the jurisdiction of said Superior Court in and for Kern County, California, and said court has continued to supervise the winding up and dissolution of said corporation under and pursuant to the laws of the State of California.

#### VII.

That during the calendar year 1939 the St. Clair Estate Company distributed to its shareholders, pursuant to said plan of complete liquidation adopted [3\*] December 23, 1938, and in obedience to orders of said Superior Court in and for Kern County, the sum of \$47,000.00. That plaintiff, as shareholder, received as his portion of said distribution the sum of \$5,875.00.

#### VIII.

That the Commissioner of Internal Revenue thereafter issued a statutory notice of deficiency addressed to the St. Clair Estate Company asserting a deficiency of peronal holding company surtax against said corporation for the calendar year 1939 on the ground that the distributions made by it during the year 1939 constituted distributions in complete liquidation of said corporation which did

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\* Page numbering appearing at foot of page of original Reporter's Transcript of Record.

not qualify it for a dividend paid credit because entirely paid out of capital. That an appeal was taken from said notice of deficiency to the United States Tax Court which held (*St. Clair Estate Company v. Commissioner*, Docket No. 109162, 9 T.C. 392) that said corporation was entitled to a dividend paid credit for said distributions made in the calendar year 1939 by virtue of Section 27(g) Internal Revenue Code (26 U. S. C. Section 27(g)) entitled "Distributions in Liquidation." That thereafter the Commissioner of Internal Revenue took an appeal to the Court of Appeals for the Ninth Circuit from the adverse decision of said Tax Court of the United States, but he thereafter dismissed said appeal on November 3, 1948.

## IX.

That within the time required by law plaintiff prepared and filed with the Collector of Internal Revenue for the Sixth Collection District of California his separate Federal income tax return for the year 1939 on Treasury Department Form 1040. That the gross income reported thereon was in the amount of \$41,218.43; the total deductions in the amount of \$9,291.25; the net income in the amount of \$31,927.18, and the total tax in the amount of \$4,299.75. That plaintiff erroneously and illegally included within his gross income reported as afore-said the sum of \$5,875.00 constituting the amount received by him during the calendar year 1939 as his share of the distribution made by the St. Clair Estate Company pursuant to said plan of complete

liquidation hereinabove mentioned in paragraph VII. That no portion of said \$5,875.00 constituted income or gain taxable to plaintiff in that or any other year. [4]

X.

That thereafter and within the time required by law, to wit, on March 3, 1943, the plaintiff filed with the Collector of Internal Revenue for the Sixth Collection District of California a claim for refund on Treasury Department Form 843 demanding recovery of the sum of \$1,327.19, income tax erroneously and illegally overpaid for the calendar year 1930 by reason of plaintiff's having included in gross income for that year said sum of \$5,875.00. That thereafter, by registered letter dated December 23, 1948, the Commissioner of Internal Revenue advised plaintiff, pursuant to section 3772(a) (2) of the Internal Revenue Code (Title 26, U. S. C., section 3772(a)(2)) that his claim for refund was disallowed.

XI.

That all conditions precedent to the proper institution of this action have been performed or have occurred.

XII.

Wherefore, plaintiff prays judgment in the sum of \$1,327.19, together with statutory interest thereon from the date of overpayment.

## Count Two

## I.

That plaintiff is an individual all times herein mentioned residing in the City of Los Angeles, State of California, and in the Southern District of California, Central Division.

## II.

That the Internal Revenue (Income) Taxes in the amount of \$5,791.85 sought to be recovered herein were paid in quarterly installments on March 15, June 15, September 15 and December 15 in the year 1941 to Nat Rogan, an officer of the Government of the United States, the duly appointed and acting Collector of Internal Revenue for the Sixth Collection District of California. That Nat Rogan is not now and has not since June 30, 1943, been acting in the capacity of Collector of Internal Revenue for said Sixth Internal Revenue Collection District of California.

## III.

That jurisdiction of this court over the matters herein related exists [5] by virtue of United States Code, Title 28, Section 1346.

## IV.

That at all times herein mentioned plaintiff and his wife, Annastatia St. Clair, were the equal co-owners of 300 shares of the common capital stock of the St. Clair Estate Company, a California corporation.

## V.

That on or about December 23, 1938, said St. Clair Estate Company adopted a plan of complete liquidation and dissolution. Thereafter, and on January 10, 1939, pursuant to petition of one of the shareholders of said corporation, the Superior Court in and for Kern County, California, assumed jurisdiction over the affairs of said corporation to supervise the winding up of said corporation, the distribution of its assets in final and complete liquidation, and the dissolution thereof according to said plan. That pursuant to said plan of complete liquidation and the applicable law of the State of California relating thereto, the officers of said corporation filed with the Secretary of State for California a certificate of election to wind up and dissolve said corporation.

## VI.

That at all times herein mentioned said St. Clair Estate Company has remained under the jurisdiction of said Superior Court in and for Kern County, California, which court has continued to supervise the winding up and dissolution of said corporation under and pursuant to the laws of the State of California.

## VII.

That during the calendar year 1940 the St. Clair Estate Company distributed to its shareholders, pursuant to said plan of complete liquidation adopted December 23, 1938, and in obedience to orders of said Superior Court in and for Kern



County, the sum of \$26,000.00. That plaintiff, as shareholder, received as his share of said distribution the sum of \$3,250.00.

### VIII.

That the Commissioner of Internal Revenue thereafter issued a statutory notice of deficiency addressed to the St. Clair Estate Company asserting a deficiency of personal holding company surtax against said corporation for the calendar year 1940 on the ground that the distributions made by it during the year 1940 [6] constituted distributions in liquidation which did not qualify it for a dividend paid credit because entirely paid out of capital. That an appeal was taken from said notice of deficiency to the United States Tax Court which held (Docket No. 109162, 9 T.C. 392) that said corporation was entitled to a dividend paid credit for said distributions made in the calendar year 1940 by virtue of Section 27(g) Internal Revenue Code (26 U. S. C. Sec. 27(g)) entitled "Distribution in Liquidation." That thereafter the Commissioner of Internal Revenue took an appeal to the Court of Appeals for the Ninth Circuit from the adverse decision of said Tax Court of the United States, but he thereafter dismissed said appeal on November 3, 1948.

### IX.

That within the time required by law plaintiff prepared and filed with the Collector of Internal Revenue for the Sixth Collection District of California his separate Federal income tax return for

the year 1940 on Treasury Department Form 1040. That the gross income reported thereon was in the amount of \$38,442.87; the total deductions in the amount of \$8,968.41; the net income in the amount of \$29,474.46, and the total income and defense taxes in the amount of \$5,791.85. That plaintiff erroneously and illegally included within his gross income reported as aforesaid the sum of \$3,250.00 constituting the amount received by him during the calendar year 1940 as his share of the distribution made by the St. Clair Estate Company pursuant to said plan of complete liquidation as set forth hereinabove in paragraph VII. That no portion of said \$3,250.00 constituted income or gain taxable to plaintiff.

### X.

That thereafter and within the time required by law, plaintiff filed with the Collector of Internal Revenue for the Sixth Collection District of California a claim for refund on Treasury Department Form 843, demanding recovery of the sum of \$1,189.91 income and defense tax erroneously and illegally overpaid for the calendar year 1940 by reason of plaintiff's having included in gross income for that year said sum of \$3,250.00. That thereafter, by registered letter dated December 23, 1948, the Commissioner of Internal Revenue advised plaintiff, pursuant to Section 3722(a)(2) of the Internal Revenue Code (Title 26 U.S.C. Sec. 3772(a)(2)) that his claim for refund was disallowed.

## XI.

That all conditions precedent to the proper institution of this action have been performed or have occurred.

## XII.

Wherefore, plaintiff prays judgment in the sum of \$1,189.91, together with statutory interest thereon from the date of overpayment.

Dated this 4th day of March, 1949.

/s/ THOMAS R. DEMPSEY,

/s/ WELLMAN P. THAYER,

/s/ ARTHUR H. DEIBERT,

/s/ WILLIAM L. KUMLER,

/s/ H. B. THOMPSON.

State of California,  
County of Los Angeles—ss.

L. P. St. Clair, being first duly sworn, deposes and says: That he is the plaintiff named in the foregoing complaint; that he has read the said complaint and knows the contents thereof and that the same is true of his own knowledge, except the matters which are therein stated to be upon information and belief, and that as to those matters he believes it to be true.

/s/ L. P. ST. CLAIR.



Subscribed and sworn to before me this 4th day of March, 1949.

[Seal]     /s/ MELBA S. DEEMING,  
Notary Public in and for  
Said County and State.

[Endorsed]: Filed May 20, 1949. [8]

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[Title of District Court and Cause.]

No. 9711-Y Civil

### ANSWER

Comes now the defendant, above-named, and in answer to plaintiff's complaint, admits, denies and alleges:

#### Count One

##### I.

Admits the allegations contained in paragraph I thereof.

##### II.

Admits the allegations contained in paragraph II thereof.

##### III.

Admits the allegations contained in paragraph III thereof.

##### IV.

Admits the allegations contained in paragraph IV thereof.

##### V.

The allegations contained in paragraph V of Count One of the complaint are denied except it is admitted that on December 22, 1938, Cora St. Clair, beneficial owner of one-fourth of the stock of the

St. Clair Estate Company, commenced an action for the dissolution of the St. Clair Estate Company and for [9] an accounting; that on December 23, 1938, the directors of the St. Clair Estate Company adopted resolutions providing for the winding up of the affairs of that company and its voluntary dissolution; that on January 10, 1939, Cora St. Clair instituted an action in the Superior Court in and for Kern County, California, in which she asked for court supervision of the winding up of the affairs of the St. Clair Estate Company; and that that court entered an order that no distribution should be made of the assets or property of the St. Clair Estate Company, other than in the ordinary course of business, except by order of the court.

## VI.

The allegations contained in paragraph VI of count one of the complaint are denied except it is admitted that at all times material herein the St. Clair Estate Company remained under the jurisdiction of the Superior Court in and for Kern County, California.

## VII.

The allegations contained in paragraph VII of count one of the complaint are denied except it is admitted that during the calendar year 1939 the St. Clair Estate Company distributed to its shareholders, in obedience to the orders of the Superior Court in and for Kern County, California, the sum of \$47,000.00, and that plaintiff, as shareholder, received as his portion thereof the sum of \$5,875.00.

## VIII.

The allegations contained in paragraph VIII of count one of the complaint are denied except it is admitted that the Commissioner of Internal Revenue thereafter issued a statutory notice of deficiency addressed to the St. Clair Estate Company asserting a deficiency of personal holding company surtax against said corporation for the calendar year 1939 on the ground that the distributions made by it during the year 1939 constituted distributions in complete liquidation of said corporation which did not qualify it for a dividend paid credit because entirely paid out of capital. That an appeal was taken from said notice of deficiency to the United States Tax Court which held (*St. Clair Estate Company v. Commissioner*, Docket No. 109162, 9 T. C. 392) that said corporation was entitled to a dividend paid credit for said distributions made in the calendar year 1939. [10] That thereafter the Commissioner of Internal Revenue took an appeal to the Court of Appeals for the Ninth Circuit from the adverse decisions of said Tax Court of the United States, but he thereafter dismissed said appeal on November 3, 1948.

## IX.

The allegations contained in paragraph IX of count one of the complaint are denied except it is admitted that within the time required by law plaintiff prepared and filed with the Collector of Internal Revenue for the Sixth Collection District of Cali-

fornia his separate federal income tax return for the year 1939 on Treasury Department Form 1040. That the gross income reported thereon was in the amount of \$41,218.43. The total deductions were in the amount of \$9,291.25. The net income was in the amount of \$31,927.18, and the total tax was in the amount of \$4,299.75.

### X.

The allegations contained in paragraph X of count one of the complaint are denied except it is admitted that on March 6, 1943, the plaintiff filed with the Collector of Internal Revenue for the Sixth Collection District of California a claim for refund of \$1,327.19 paid as income tax for the calendar year 1939; that by registered letter dated December 23, 1948, the Commissioner of Internal Revenue advised plaintiff that his claim for refund was disallowed.

### XI.

The allegations contained in paragraph XI of count one of the complaint are denied.

## Count Two

### I.

Admits the allegations contained in paragraph I thereof.

### II.

Admits the allegations contained in paragraph II thereof.

### III.

Admits the allegations contained in paragraph III thereof.

## IV.

Admits the allegations contained in paragraph IV thereof. [11]

## V.

The allegations contained in paragraph V of count two of the complaint are denied except it is admitted that on December 22, 1938, Cora St. Clair, beneficial owner of one-fourth of the stock of the St. Clair Estate Company, commenced an action for the dissolution of the St. Clair Estate Company and for an accounting; that on December 23, 1938, the directors of the St. Clair Estate Company adopted resolutions providing for the winding up of the affairs of that company and its voluntary dissolution; that on January 10, 1939, Cora St. Clair instituted an action in the Superior Court in and for Kern County, California, in which she asked for court supervision of the winding up of the affairs of the St. Clair Estate Company; and that that court entered an order that no distribution should be made of the assets or property of the St. Clair Estate Company, other than in the ordinary course of business, except by order of the court.

## VI.

The allegations contained in paragraph VI of count two of the complaint are denied except it is admitted that at all time material herein the St. Clair Estate Company remained under the jurisdiction of the Superior Court in and for Kern County, California.



## VII.

The allegations contained in paragraph VII of count two of the complaint are denied except it is admitted that during the calendar year 1940 the St. Clair Estate Company distributed to its shareholders in obedience to the orders of the Superior Court in and for Kern County, California, the sum of \$26,000.00, and that plaintiff, as shareholder, received as his portion thereof the sum of \$3,250.00.

## VIII.

The allegations contained in paragraph VIII of the second count of the complaint are denied except it is admitted that the Commissioner of Internal Revenue thereafter issued a statutory notice of deficiency addressed to the St. Clair Estate Company asserting a deficiency of personal holding company surtax against said corporation for the calendar year 1940 on the ground that the distributions made by it during the year 1940 constituted distributions in [12] liquidation which did not qualify it for a dividend paid credit because entirely paid out capital. That an appeal was taken from said notice of deficiency to the United States Tax Court which held (Docket No. 109162, 9 T. C. 392) that said corporation was entitled to a dividend paid credit for said distributions made in the calendar year 1940. That thereafter the Commissioner of Internal Revenue took an appeal to the Court of Appeals for the Ninth Circuit from the adverse decision of said Tax Court of the United States, but he thereafter dismissed said appeal on November 3, 1948.

## IX.

The allegations contained in paragraph IX of count two of the complaint are denied except it is admitted that within the time required by law plaintiff prepared and filed with the Collector of Internal Revenue for the Sixth Collection District of California his separate federal income tax return for the year 1940 on Treasury Department form 1040. That the gross income reported thereon was in the amount of \$38,442.87. The total deductions were in the amount of \$8,968.41. The net income was in the amount of \$29,474.46, and the total income and defense taxes in the amount of \$5,791.85.

## X.

The allegations contained in paragraph X of count two of the complaint are denied except it is admitted that on March 6, 1943, plaintiff filed with the Collector of Internal Revenue for the Sixth Collection District of California a claim for refund of the sum of \$1,189.91 paid as income and defense tax for the calendar year 1940, and that by registered letter dated December 23, 1948, the Commissioner of Internal Revenue advised plaintiff that his claim for refund was disallowed.

## XI.

The allegations contained in paragraph XI of count two of the complaint are denied.

Wherefore, having fully answered, defendant prays for judgment dismissing the complaint, to-

gether with costs and disbursements of this action.

JAMES M. CARTER,  
United States Attorney.

E. H. MITCHELL, and  
EDWARD R. McHALE,  
Asst. U. S. Attys.

EUGENE HARPOLE,  
Special Attorney, Bureau  
of Internal Revenue.

By /s/ EDWARD R. McHALE,  
Attorneys for Defendant.

Affidavit of service by mail attached.

[Endorsed]: Filed September 21, 1949. [13]

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[Title of District Court and Cause.]

No. 9711-Y Civil

MOTION AND ORDER TO CONSOLIDATE  
FOR TRIAL

Plaintiff, L. P. St. Clair, by his attorney, H. B. Thompson, moves that this cause be consolidated for trial with case number 9712-Y, entitled Annastatia St. Clair, Plaintiff vs. United States of America, Defendant, now pending in this Court, on the ground that the facts and issue of law here involved are the same as in that case.



Defendant, United States of America, joins in this motion.

DEMPSEY, THAYER,

DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,

Attorney for Plaintiff.

ERNEST TOLIN,

United States Attorney,

E. H. MITCHELL,

Assistant U. S. Attorney,

EDWARD R. McHALE,

Assistant U. S. Attorney,

EUGENE HARPOLE,

JAMES D. PETTUS,

Special Attorneys, Bureau  
of Internal Revenue.

By /s/ JAMES D. PETTUS,

Attorneys for United States  
of America, Defendant.

It Is So Ordered:

/s/ LEON R. YANKWICH,

Judge.

[Endorsed]: Filed March 28, 1950. [15]

In the United States District Court, Southern District of California, Central Division

No. 9711-Y

Honorable Leon R. Yankwich, Judge.

L. P. ST. CLAIR,

Plaintiff,

vs.

UNITED STATES OF AMERICA,

Defendant.

### MEMORANDUM DECISION

The above-entitled cause, heretofore tried, argued and submitted, is now decided as follows:

Judgment will be for the defendant that plaintiff take nothing by the Complaint. Costs to the defendant.

#### Comment

I am of the view that the Commissioner of Internal Revenue correctly interpreted the payments made to the plaintiff by the St. Clair Estate Company in 1939 and 1940 as dividends payable at ordinary rates, and not as partial distributions in liquidation.

The question is purely one of fact, to be determined from an examination of the undisputed record and facts in the case. Whatever conflicting attitudes the Commissioner took before the tax court regarding the nature of these payments, cannot alter the factual situation found to exist. [16]

The important fact is that the resolution of the directors of the corporation, dated December 23,

1938, proposing a liquidation of the corporation, and the meeting of the shareholders on December 23, 1938, adopting a plan of liquidation, were stayed in their effect by the institution of proceedings by Cora St. Clair and the injunction issued on December 23, 1938.

The injunction restrained the corporation and directors from "altering, removing, disposing of and destroying any of the books, records, books of account, property or assets of the St. Clair Corporation."

Pending the determination of this lawsuit, neither the corporation nor its directors could take any action towards such disposition of the property as a "winding up" would require. The subsequent institution by the corporation of an action in the same Superior Court seeking the court's assistance in winding up the affairs of the corporation were of no effect as a liquidation. The sister's lawsuit tied up the corpus of the estate until the rights of the three members of the family were adjudicated. And the Superior Court in the "dissolution action" (if we may call it such), could not proceed with any pattern of liquidation of the corpus of the estate until those rights were determined. At most, it could, and did allow, the income to be distributed to the shareholders, in so far as it was not affected by the ultimate outcome of the suit of Cora St. Clair. The only orders of distribution which the Court made were orders distributing current earnings, which were designated as such in every instance.

Illustrative is the Order of April 28, 1939, (Exhibit E, page 2), which recites that the order sought is an order authorizing and directing the St. Clair Estate Co. to pay to its stockholders the total sum of \$24,000.00 which [17] is to be charged "against said stockholders' accounts on the books of the St. Clair Estate."

On June 4, 1940, payments were ordered made "out of earnings of 1940." Similar phrasing appears in the orders of October 3, 1940, and October 26, 1940. On October 13, 1939, the Court, in the dissolution proceeding, entered an order significantly entitled "Order Construing Order of Distribution of April 28, 1939," in which it was stated: "It is hereby ordered that the order of distribution heretofore made herein on the 28th day of April, 1939, is hereby construed to be a distribution and payment of the sum of Twenty-four Thousand Dollars (\$24,000.00), Six Thousand Dollars (\$6,000.00) to each stockholder, from the income of St. Clair Estate Company, rather than from its capital assets." Following this interpretative order, the order of December 26, 1939, uses this language: "That the Board of Directors of St. Clair Estate Company and said St. Clair Estate Company be and they are hereby authorized and directed to declare and pay to the stockholders of St. Clair Estate Company as dividends, in the calendar year 1939, amounts up to the net earnings of said corporation for the year 1939 and any temporary restraining order or injunction prohibiting such action may be accordingly modified to permit such action."

At these various hearings, the value of the assets of the corporation was stated at around a quarter million dollars and the Minutes so recited. (Exhibit E, page 1) It may be conceded that the name given to a payment is not conclusive. But here we have the same court in which the two proceedings are pending proceeding to make payments in a "winding-up" proceeding, knowing full well that the corpus of the estate cannot be distributed until the suit [18] of one of the three members of the family is decided by final judgment—a suit in which the corporation which seeks to have its affairs wound up has been enjoined from disposing of the corpus of the estate. And the Court recognized the binding effect of the injunction by modifying it to the extent of permitting the payment of profits only. Rightly. For, under the circumstances, the Court was required not only by its own injunctive order, but by the dictates of ordinary judicial prudence, to see that the corpus of the Estate was not touched. So that, whatever distribution was made of moneys earned by the Estate, and only after the litigation between the three stockholders was finally settled would the Court determine and approve the manner of liquidation and order it carried into effect.

At times, of course, if the money distributed actually bears a significant relation to the body of the Estate, an intention to make a distribution *chemin faisant* (as they go along), as the French say, might be inferred. This is what the courts call "a step in the process of complete litigation." (Cf. *Letts v. Commissioner*, 1936, C. A. 9, 84 F(2) 760; *Florence M. Quinn*, 1937, 35 T. A. 412.) But the few thou-



said dollars distributed here were so insignificant when compared with the value of the Estate, and were so plainly earmarked as derived from and limited to the current profits, that a conclusion that they were intended as a partial liquidation would be unrealistic. (See, Mertens, Law of Federal Income Taxation, Sec. 9.83; *Tootle v. Commissioner*, 1932, C. A. 8, 58 F(2) 576; *Holmby Corp. v. Commissioner*, 1936, C. A. 9, 83 F(2) 548; *Jones v. Dawson*, 1945, C. A. 10, 148 F(2) 87.) We would be giving effect as fact to what may be clearly an afterthought to obtain an advantage which did not occur at the time. In all tax [19] matters, the acts of the parties at the time when their possible effect upon taxability was not uppermost in their minds speak more eloquently than subsequent attempts to place their action in a different light in order to achieve a certain tax result. (See, *Pacific Magnesium Inc. v. Westover*, 1949, D. C. Cal., 86 F. Supp. 644, 649.)

It follows that the Commissioner was right in his determination.

Hence the ruling above made.

As all the facts are covered by stipulations, they may stand as the Court's Findings, and only Conclusions of Law and Judgment need be prepared by counsel for the defendant, unless both counsel prefer to prepare formal Findings.

Dated this 15th day of May, 1950.

/s/ LEON R. YANKWICH,  
Judge.

[Endorsed]: Filed May 15, 1950 [20]

[Title of District Court and Cause.]

No. 9711-Y Civil

## CONCLUSIONS OF LAW

The above-entitled case came on regularly for trial on May 8, 1950, before the Court sitting without a jury; plaintiff appearing by his attorney, Dempsey, Thayer, Deibert and Kumler and H. Ben Thompson, Esquire, and the defendant appearing by Ernest A. Tolin, United States Attorney for the Southern District of California, and Edward R. McHale, Assistant United States Attorney for said district; and evidence documentary and stipulations of facts having been received, and briefs having been filed by both parties; and oral argument having been made by both parties and the Court having fully considered the same from the facts the Court concludes:

### I.

The question whether the payments made by the St. Clair Estate Company to the plaintiff during the calendar years 1939 and 1940 were ordinary dividends or dividends in complete or partial liquidation is purely one of fact. [21]

### II.

The payments made during the calendar years 1939 and 1940 by the St. Clair Estate Company to the plaintiff were dividends taxable at ordinary rates.

### III.

The distributions to the plaintiff which the Su-

perior Court of Kern County, California, ordered during the years 1939 and 1940 were of current earnings only.

#### IV.

The corpus of the St. Clair Estate Company could not have been distributed and was not distributed until the judgment in the action brought by Cora St. Clair for an accounting of the assets of the St. Clair Estate Company became final on January 18, 1945.

#### V.

The plaintiff has not overcome the burden of showing that the Commissioner's determination that the payments made by the St. Clair Estate Company to plaintiff in 1939 and 1940 were dividends taxable at ordinary rates and not distributions either in partial or complete liquidation was erroneous.

#### VI.

The defendant is entitled to judgment that the plaintiff take nothing and for its costs.

/s/ LEON R. YANKWICH,  
United States District Judge.

Approved as to form, as required by Rule 7(a).  
Dated: July 28, 1950.

DEMPSEY, THAYER,  
DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,  
Attorneys for Plaintiff.

[Endorsed]: Filed July 28, 1950. [22]



In the United States District Court in and for the  
Southern District of California, Central Division

No. 9711-Y Civil

L. P. ST. CLAIR,

Plaintiff,

vs.

UNITED STATES OF AMERICA,

Defendant.

### JUDGMENT

The above-entitled case came on regularly for trial on May 8, 1950, before the Court, sitting without a jury; plaintiff appearing by his attorney, Dempsey, Thayer, Deibert and Kumler and H. Ben Thompson, Esquire, and the defendant appearing by Ernest A. Tolin, United States Attorney for the Southern District of California, and Edward R. McHale, Assistant United States Attorney for said district. Evidence documentary was received and the cause was thereupon submitted to the Court upon two stipulations of facts signed by attorneys for the parties hereto. Briefs were filed on behalf of the parties hereto. Thereafter, the Court, having fully considered the facts and the briefs and being fully advised in the premises, ordered preparation of the Conclusions of Law and Judgment.

Wherefore, by reason of law and the evidence and the stipulations of facts and Conclusions of Law of the Court which have been filed and the premises aforesaid, [23]

It Is Ordered, Adjudged and Decreed and this does order, adjudge and decree that the plaintiff take nothing, and that the defendant have and recover of and from the plaintiff its costs in this behalf expended, hereby taxed in the sum of \$20.00.

Dated this 28th day of July, 1950.

/s/ LEON R. YANKWICH,  
United States District Judge.

Approved as to form, as required by Rule 7(a).

Dated: July 28, 1950.

DEMPSEY, THAYER,  
DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,  
Attorneys for Plaintiff.

Judgment entered July 31, 1950. [24]

[Endorsed]: Filed July 28, 1950.

In the District Court of the United States for the  
Southern District of California, Central Division

Civil No. 9712-Y

ANNASTATIA ST. CLAIR,

Plaintiff,

vs.

UNITED STATES OF AMERICA,

Defendant.

COMPLAINT TO RECOVER PERSONAL IN-  
COME TAXES ILLEGALLY ASSESSED  
AND COLLECTED

Annastatia St. Clair, plaintiff herein, complains  
of the United States of America, a Sovereign  
Power, defendant, and for cause of action alleges:

Count One

I.

That plaintiff is an individual who at all times  
herein mentioned resided in the City of Los Angeles,  
State of California and in the Southern District of  
California, Central Division.

II.

That the Internal Revenue (Income) Taxes  
sought to be recovered herein were paid in quar-  
terly installments on the 15th day of March, June,  
September and December, 1940, and the total amount  
of said tax paid was \$3,941.35. Said taxes were paid  
to Nat Rogan, an officer of the Government of the  
United States, the duly appointed and acting Col-

lector of Internal Revenue for the Sixth Collection District of California. That Nat Rogan is not now and has not since June 30, 1943, been acting in the capacity of Collector of Internal Revenue for said Sixth Internal Revenue Collection District of California.

### III.

That jurisdiction of this court over the matters herein related exists by virtue of United States Code, Title 28, Section 1346.

### IV.

That at all times herein mentioned plaintiff and her husband, L. P. St. Clair, were the equal co-owners of 300 shares of the common capital stock of the St Clair Estate Company, a California corporation.

### V.

That on or about December 23, 1938, said St. Clair Estate Company adopted a plan of complete liquidation and dissolution. That thereafter and on January 10, 1939, pursuant to petition of one of the shareholders of said corporation, the Superior Court in and for Kern County, California, assumed jurisdiction over the affairs of said corporation to supervise the winding up of said corporation, the distribution of its assets in final and complete liquidation and the dissolution thereof according to said plan. That pursuant to said plan of complete liquidation and the applicable law of the State of California relating thereto, the officers of said corporation filed with the Secretary of State for California a cer-

tificate of election to wind up and dissolve said corporation.

## VI.

That at all times herein mentioned said St. Clair Estate Company has remained under the jurisdiction of said Superior Court in and for Kern County, California, and said court has continued to supervise the winding up and dissolution of said corporation under and pursuant to the laws of the State of California.

## VII.

That during the calendar year 1939 the St. Clair Estate Company distributed to its shareholders, pursuant to said plan of complete liquidation adopted December 23, 1938, and in obedience to orders of said Superior Court in and for Kern County, the sum of \$47,000.00. That plaintiff, as shareholder, received as her portion of said distribution the sum of \$5,875.00. [27]

## VIII.

That the Commissioner of Internal Revenue thereafter issued a statutory notice of deficiency addressed to the St. Clair Estate Company asserting a deficiency of personal holding company surtax against said corporation for the calendar year 1939 on the ground that the distributions made by it during the year 1939 constituted distributions in complete liquidation of said corporation which did not qualify it for a dividend paid credit because entirely paid out of capital. That an appeal was taken from said notice of deficiency to the United States Tax Court which held (St. Clair Estate Com-

pany v. Commissioner, Docket No. 109162, 9 T.C. 392) that said corporation was entitled to a dividend paid credit for said distributions made in the calendar year 1939 by virtue of Section 27(g) Internal Revenue Code (26 U.S.C. Section 27(g)) entitled "Distributions in Liquidation." That thereafter the Commissioner of Internal Revenue took an appeal to the Court of Appeals for the Ninth Circuit from the adverse decision of said Tax Court of the United States, but he thereafter dismissed said appeal on November 3, 1948.

### IX.

That within the time required by law plaintiff prepared and filed with the Collector of Internal Revenue for the Sixth Collection District of California her separate Federal income tax return for the year 1939 on Treasury Department Form 1040. That the gross income reported thereon was in the amount of \$39,660.15. The total deductions were in the amount of \$9,291.25. The net income was in the amount of \$30,368.90, and the total tax was in the amount of \$3,941.35. That plaintiff erroneously and illegally included within her gross income reported as aforesaid the sum of \$5,875.00, constituting the amount received by her during the calendar year 1939 as her share of the distribution made by the St. Clair Estate Company pursuant to said plan of complete liquidation hereinabove mentioned in paragraph VII. That no portion of said \$5,875.00 constituted income or gain taxable to plaintiff in that or any other year.



## X.

That thereafter and within the time required by law, to wit, on March 3, 1943, the plaintiff filed with the Collector of Internal Revenue for the Sixth [28] Collection District of California a claim for refund on Treasury Department Form 843 demanding recovery of the sum of \$1,296.13, income tax erroneously and illegally overpaid for the calendar year 1930 by reason of plaintiff's having included in gross income for that year said sum of \$5,875.00. That thereafter, by registered letter dated December 23, 1948, the Commissioner of Internal Revenue advised plaintiff, pursuant to section 3772(a)(2) of the Internal Revenue Code (Title 26, U. S. C., section 3772(a)(2)) that her claim for refund was disallowed.

## XI.

That all conditions precedent to the proper institution of this action have been performed or have occurred.

## XII.

Wherefore, plaintiff prays judgment in the sum of \$1,296.13, together with statutory interest thereon from the date of overpayment.

## Count Two

## I.

That plaintiff is an individual all times herein mentioned residing in the City of Los Angeles, State of California, and in the Southern District of California, Central Division.

## II.

That the Internal Revenue (Income) Taxes in the amount of \$5,209.06 sought to be recovered herein were paid in quarterly installments in March 15, June 15, September 15 and December 15 in the year 1941 to Nat Rogan, an officer of the Government of the United States, the duly appointed and acting Collector of Internal Revenue for the Sixth Collection District of California. That Nat Rogan is not now and has not since June 30, 1943, been acting in the capacity of Collector of Internal Revenue for said Sixth Internal Revenue Collection District of California.

## III.

That jurisdiction of this court over the matters herein related exists by virtue of United States Code, Title 28, Section 1346. [29]

## IV.

That at all times herein mentioned plaintiff and her husband, L. P. St. Clair, were the equal co-owners of 300 shares of the common capital stock of the St. Clair Estate Company, a California corporation.

## V.

That on or about December 23, 1938, said St. Clair Estate Company adopted a plan of complete liquidation and dissolution. Thereafter, and on January 10, 1939, pursuant to petition of one of the shareholders of said corporation, the Superior Court in and for Kern County, California, assumed jurisdiction over the affairs of said corporation to supervise

the winding up of said corporation, the distribution of its assets in final and complete liquidation, and the dissolution thereof according to said plan. That pursuant to said plan of complete liquidation and the applicable law of the State of California relating thereto, the officers of said corporation filed with the Secretary of State for California a certificate of election to wind up and dissolve said corporation.

## VI.

That at all times herein mentioned said St. Clair Estate Company has remained under the jurisdiction of said Superior Court in and for Kern County, California, which court has continued to supervise the winding up and dissolution of said corporation under and pursuant to the laws of the State of California.

## VII.

That during the calendar year 1940 the St. Clair Estate Company distributed to its shareholders, pursuant to said plan of complete liquidation adopted December 23, 1938, and in obedience to orders of said Superior Court in and for Kern County, the sum of \$26,000.00. That plaintiff, as shareholder, received as her share of said distribution the sum of \$3,250.00.

## VIII.

That the Commissioner of Internal Revenue thereafter issued a statutory notice of deficiency addressed to the St. Clair Estate Company asserting a deficiency of personal holding company surtax against said corporation for the calendar year 1940

on the ground that the distributions made by it during the year 1940 constituted distributions in liquidation which did not qualify it for a [30] dividend paid credit because entirely paid out of capital. That an appeal was taken from said notice of deficiency to the United States Tax Court which held (Docket No. 109162, 9 T. C. 392) that said corporation was entitled to a dividend paid credit for said distributions made in the calendar year 1940 by virtue of Section 27(g) Internal Revenue Code (26 U. S. C. Sec. 27(g)) entitled "Distributions in Liquidation." That thereafter the Commissioner of Internal Revenue took an appeal to the Court of Appeals for the Ninth Circuit from the adverse decision of said Tax Court of the United States, but he thereafter dismissed said appeal on November 3, 1948.

## IX.

That within the time required by law plaintiff prepared and filed with the Collector of Internal Revenue for the Sixth Collection District of California her separate Federal income tax return for the year 1940 on Treasury Department Form 1040. That the gross income reported thereon was in the amount of \$36,884.59. The total deductions were in the amount of \$8,968.40. The net income was in the amount of \$27,916.19, and the total income and defense taxes in the amount of \$5,209.06. That plaintiff erroneously and illegally included within her gross income reported as aforesaid the sum of \$3,250.00, constituting the amount received by her during the

calendar year 1940 as her share of the distribution made by the St. Clair Estate Company pursuant to said plan of complete liquidation as set forth hereinabove in paragraph VII. That no portion of said \$3,250.44 constituted income or gain taxable to plaintiff.

### X.

That thereafter and within the time required by law, plaintiff filed with the Collector of Internal Revenue for the Sixth Collection District of California a claim for refund on Treasury Department Form 843, demanding recovery of the sum of \$1,138.49 income and defense tax erroneously and illegally overpaid for the calendar year 1940 by reason of plaintiff's having included in gross income for that year said sum of \$3,250.00. That thereafter, by registered letter dated December 23, 1948, the Commissioner of Internal Revenue advised plaintiff, pursuant to Section 3722(a)(2) of the Internal Revenue Code (Title 26, U. S. C., Sec. 3772(a)(2)) that her claim for refund was disallowed. [31]

### XI.

That all conditions precedent to the proper institution of this action have been performed or have occurred.

### XII.

Wherefore, plaintiff prays judgment in the sum of \$1,138.49, together with statutory interest thereon from the date of overpayment.



Dated this 6th day of May, 1949.

/s/ THOMAS R. DEMPSEY,

/s/ WELLMAN P. THAYER,

/s/ ARTHUR H. DEIBERT,

/s/ WILLIAM L. KUMLER,

/s/ H. B. THOMPSON.

State of California,

County of Los Angeles—ss.

Annastatia St. Clair, being first duly sworn, deposes and says: That she is the plaintiff named in the foregoing complaint; that she has read the said complaint and knows the contents thereof and that the same is true of her own knowledge, except the matters which are therein stated to be upon information and belief, and that as to those matters she believes it to be true.

/s/ ANNASTATIA ST. CLAIR.

Subscribed and sworn to before me this 6th day of May, 1949.

[Seal] /s/ MELBA S. DEEMING,

Notary Public in and for  
Said County and State.

[Endorsed]: Filed May 20, 1949. [32]



[Title of District Court and Cause.]

No. 9712-Y Civil

ANSWER

Comes now the defendant, above named, and in answer to plaintiff's complaint, admits, denies and alleges:

Count One

I.

Admits the allegations contained in paragraph I thereof.

II.

Admits the allegations contained in paragraph II thereof.

III.

Admits the allegations contained in paragraph III thereof.

IV.

Admits the allegations contained in paragraph IV thereof.

V.

The allegations contained in paragraph V of the first count of the complaint are denied except it is admitted that on December 22, 1938, Cora St. Clair, beneficial owner of one-fourth of the stock of the St. Clair Estate Company, commenced an action for the dissolution of the St. Clair Estate Company [33] and for an accounting; that on December 23, 1938, the directors of the St. Clair Estate Company adopted resolutions providing for the winding up of the affairs of that company and its voluntary

dissolution; that on January 10, 1939, Cora St. Clair instituted an action in the Superior Court in and for Kern County, California, in which she asked for court supervision of the winding up of the affairs of the St. Clair Estate Company; and that that court entered an order that no distribution should be made of the asset or property of the St. Clair Estate Company, other than in the ordinary course of business, except by order of the court.

## VI.

The allegations contained in paragraph VI of count one of the complaint are denied except it is admitted that at all times material herein the St. Clair Estate Company remained under the jurisdiction of the Superior Court in and for Kern County, California.

## VII.

The allegations contained in paragraph VII of the first count of the complaint are denied except it is admitted that during the calendar year 1939, the St. Clair Estate Company distributed to its shareholders, in obedience to the orders of the Superior Court in and for Kern County, California, the sum of \$47,000.00, and that plaintiff, as shareholder, received as her portion thereof the sum of \$5,875.00.

## VIII.

The allegations contained in paragraph VIII of the first count of the complaint are denied except it is admitted that the Commissioner of Internal Revenue thereafter issued a statutory notice of de-

iciency addressed to the St. Clair Estate Company asserting a deficiency of personal holding company surtax against said corporation for the calendar year 1939 on the ground that the distributions made by it during the year 1939 constituted distributions in complete liquidation of said corporation which did not qualify it for a dividend paid credit because entirely paid out of capital. That an appeal was taken from said notice of deficiency to the United States Tax Court which held (*St. Clair Estate Company v. Commissioner*, Docket No. 109162, 9 T. C. 392) that [34] said corporation was entitled to a dividend paid credit for said distributions made in the calendar year 1939. That thereafter the Commissioner of Internal Revenue took an appeal to the Court of Appeals for the Ninth Circuit from the adverse decision of said Tax Court of the United States, but he thereafter dismissed said appeal on November 3, 1948.

### IX.

The allegations contained in paragraph IX of count one of the complaint are denied except it is admitted that within the time required by law plaintiff prepared and filed with the Collector of Internal Revenue for the Sixth Collection District of California her separate federal income tax return for the year 1939 on Treasury Department form 1040. That the gross income reported thereon was in the amount of \$39,660.15. The total deductions were in the amount of \$9,291.25. The net income was in the amount of \$30,368.90, and the total tax was in the amount of \$3,941.35.

## X.

The allegations contained in paragraph X of count one of the complaint are denied except it is admitted that on March 6, 1943, the plaintiff filed with the Collector of Internal Revenue for the Sixth Collection District of California a claim of refund of \$1,296.13 paid as income tax for the calendar year 1939; that by registered letter dated December 23, 1948, the Commissioner of Internal Revenue advised plaintiff that her claim for refund was disallowed.

## XI.

The allegations contained in paragraph XI of the first count of the complaint are denied.

## Count Two

## I.

Admits the allegations contained in paragraph I thereof.

## II.

Admits the allegations contained in paragraph II thereof.

## III.

Admits the allegations contained in paragraph III thereof. [35]

## IV.

Admits the allegations contained in paragraph IV thereof.

## V.

The allegations contained in paragraph V of count two of the complaint are denied except it is admitted that on December 22, 1938, Cora St. Clair,

beneficial owner of one-fourth of the stock of the St. Clair Estate Company, commenced an action for the dissolution of the St. Clair Estate Company and for an accounting; that on December 23, 1938, the directors of the St. Clair Estate Company adopted resolutions providing for the winding up of the affairs of that company and its voluntary dissolution; that on January 10, 1939, Cora St. Clair instituted an action in the Superior Court in and for Kern County, California, in which she asked for court supervision of the winding up of the affairs of the St. Clair Estate Company; and that that court entered an order that no distribution should be made of the assets or property of the St. Clair Estate Company, other than in the ordinary course of business, except by order of the court.

## VI.

The allegations contained in paragraph VI of count two of the complaint are denied except it is admitted that at all times material herein the St. Clair Estate Company remained under the jurisdiction of the Superior Court in and for Kern County, California.

## VII.

The allegations contained in paragraph VII of count two of the complaint are denied except it is admitted that during the calendar year 1940, the St. Clair Estate Company distributed to its shareholders in obedience to the orders of the Superior Court in and for Kern County, California, the sum of \$26,000.00 and that plaintiff, as shareholder, received as her portion thereof the sum of \$3,250.00.



## VIII.

The allegations contained in paragraph VIII of the second count of the complaint are denied except it is admitted that the Commissioner of Internal Revenue thereafter issued a statutory notice of deficiency addressed to the [36] St. Clair Estate Company asserting a deficiency of personal holding company surtax against said corporation for the calendar year 1940 on the ground that the distributions made by it during the year 1940 constituted distributions in liquidation which did not qualify it for a dividend paid credit because entirely paid out of capital. That an appeal was taken from said notice of deficiency to the United States Tax Court which held (Docket No. 109162, 9 T. C. 392) that said corporation was entitled to a dividend paid credit of said distributions made in the calendar year 1940. That thereafter the Commissioner of Internal Revenue took an appeal to the Court of Appeals for the Ninth Circuit from the adverse decision of said Tax Court of the United States, but he thereafter dismissed said appeal on November 3, 1948.

## IX.

The allegations contained in paragraph IX of the second count of the complaint are denied except it is admitted that within the time required by law plaintiff prepared and filed with the Collector of Internal Revenue for the Sixth Collection District of California her separate federal income tax return for the year 1940 on Treasury Department form



1040. That the gross income reported thereon was in the amount of \$36,884.59. The total deductions were in the amount of \$8,968.40. The net income was in the amount of \$27,916.19, and the total income and defense taxes in the amount of \$5,209.06.

### X.

The allegations contained in paragraph X of the second count of the complaint are denied except it is admitted that on March 6, 1943, plaintiff filed with the Collector of Internal Revenue for the Sixth Collection District of California a claim for refund of the sum of \$1,138.49 paid as income and defense tax for the calendar year 1940, and that by registered letter dated December 23, 1948, the Commissioner of Internal Revenue advised plaintiff that her claim for refund was disallowed.

### XI.

The allegations contained in paragraph XI of count two of the complaint are denied. [37]

Wherefore, having fully answered, defendant prays for judgment dismissing the complaint, together with costs and disbursements of this action.

JAMES M. CARTER,  
United States Attorney,

E. H. MITCHELL, and

EDWARD R. McHALE,  
Assistant United States  
Attorneys.

EUGENE HARPOLE,  
Special Attorney, Bureau  
Of Internal Revenue.

By /s/ EDWARD R. McHALE,  
Attorneys for Defendant.

Affidavit of service by mail attached.

[Endorsed]: Filed September 21, 1949. [38]

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In the United States District Court, Southern Dis-  
trict of California, Central Division

No. 9712-Y

ANNASTATIA ST. CLAIR,  
Plaintiff,

vs.

UNITED STATES OF AMERICA,  
Defendant.

Honorable Leon R. Yankwich, Judge.

### MEMORANDUM DECISION

The above-entitled cause, heretofore tried, argued and submitted, is now decided as follows:

Upon the grounds stated in the Memorandum Decision filed in Cause No. 9711-Y, Judgment will be for the defendant that plaintiff take nothing against the defendant. Costs to the defendant.

As all the facts are covered by stipulations, they may stand as the Court's Findings, and only Con-

clusions of law and Judgment need be prepared by counsel for the defendant, unless both counsel prefer to prepare formal findings.

Dated this 15th day of May, 1950.

/s/ LEON R. YANKWICH,  
Judge.

[Endorsed]: Filed May 15, 1950. [40]

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[Title of District Court and Cause.]

No. 9712-Y Civil

### CONCLUSIONS OF LAW

The above entitled case came on regularly for trial on May 8, 1950, before the Court sitting without a jury; plaintiff appearing by her attorney, Dempsey, Thayer, Diebert and Kumler and H. Ben Thompson, Esquire, and the defendant appearing by Ernest A. Tolin, United States Attorney for the Southern District of California, and Edward R. McHale, Assistant United States Attorney for said district; and evidence documentary and stipulations of facts having been received, and briefs having been filed by both parties; and oral argument having been made by both parties and the Court having fully considered the same from the facts the Court concludes:

#### I.

The question whether the payments made by the St. Clair Estate Company to the plaintiff during the

calendar years 1939 and 1940 were ordinary dividends or dividends in complete or partial liquidation is purely one of fact. [41]

## II.

The payments made during the calendar years 1939 and 1940 by the St. Clair Estate Company to the plaintiff were dividends taxable at ordinary rates.

## III.

The distributions to the plaintiff which the Superior Court of Kern County, California ordered during the years 1939 and 1940 were of current earnings only.

## IV.

The corpus of the St. Clair Estate Company could not have been distributed and was not distributed until the judgment in the action brought by Cora St. Clair for an accounting of the assets of the St. Clair Estate Company became final on January 18, 1945.

## V.

The plaintiff has not overcome the burden of showing that the Commissioner's determination that the payments made by the St. Clair Estate Company to plaintiff in 1939 and 1940 were dividends taxable at ordinary rates and not distributions either in partial or complete liquidation was erroneous.

## VI.

The defendant is entitled to judgment that the plaintiff take nothing and for its costs.

/s/ LEON R. YANKWICH,

United States District Judge.

Approved as to form, as required by Rule 7(a).

Dated: July 28, 1950.

DEMPSEY, THAYER,  
DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,  
Attorneys for Plaintiff.

[Endorsed]: Filed July 28, 1950. [42]

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In the United State District Court in and for the  
Southern District of California, Southern  
Division

No. 9712-Y Civil

ANNASTATIA ST. CLAIR,

Plaintiff,

vs.

UNITED STATES OF AMERICA,

Defendant.

### JUDGMENT

The above-entitled case came on regularly for trial on May 8, 1950, before the Court, sitting without a jury; plaintiff appearing by her attorney, Dempsey, Thayer, Deibert and Kumler and H. Ben Thompson, Esquire, and the defendant appearing by Ernest A. Tolin, United States Attorney for the Southern District of California, and Edward R. McHale, Assistant United States Attorney for said district. Evidence documentary was received and the cause was thereupon submitted to the Court upon two

stipulations of facts signed by attorneys for the parties hereto. Briefs were filed on behalf of the parties hereto. Thereafter, the Court, having fully considered the facts and the briefs and being fully advised in the premises, ordered preparation of the Conclusions of Law and Judgment.

Wherefore, by reason of law and the evidence and the stipulations of facts and Conclusions of Law of the Court which have been filed and the premises aforesaid, [43]

It Is Ordered, Adjudged and Decreed and this does order, adjudge and decree that the plaintiff take nothing, and that the defendant have and recover of and from the plaintiff its costs in this behalf expended, hereby taxed in the sum of \$20.00.

Dated this 28th day of July, 1950.

/s/ LEON R. YANKWICH,  
United States District Judge.

Approved as to form, as required by Rule 7(A).  
Dated: July 28, 1950.

DEMPSEY, THAYER,  
DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,  
Attorneys for Plaintiff.

Judgment entered July 31, 1950.

[Endorsed]: Filed July 28, 1950. [44]



PLAINTIFF'S EXHIBIT NO. 1

In the United States District Court for the Southern  
District of California, Central Division

No. 9711-Y Civil

L. P. ST. CLAIR,

Plaintiff,

vs.

UNITED STATES OF AMERICA,

Defendant.

No. 9712-Y Civil

ANNASTATIA ST. CLAIR,

Plaintiff,

vs.

UNITED STATES OF AMERICA,

Defendant.

STIPULATION

It is hereby stipulated and agreed by and between the parties hereto through their respective counsel without prejudice to the rights of any party herein to introduce additional evidence not inconsistent herewith and without prejudice to their right to object to the materiality or relevancy of any of the facts agreed to as follows:

(1) The St. Clair Estate Company was organized in 1903 by the St. Clair family consisting of father, mother, three sons and one daughter. The father and mother died before the end of 1904 and thereafter all of the stock of said corporation con-

sisting of 1200 shares was divided among the three sons, [46] L. P. St. Clair, E. S. St. Clair, F. C. St. Clair and the daughter, Cora St. Clair, each receiving 300 shares by bequest or inheritance from their parents' estates. The three brothers became directors. About 1910 differences arose between Cora and her brothers, and she employed an attorney to examine the manner in which they were conducting the business. In 1913 she married a man named Cooper, and shortly thereafter dissension again arose between her and her brothers which continued with slight interruption. In 1914 she engaged another lawyer in connection with her differences with her brothers, and in February, 1915, an agreement was entered into for the settlement of all existing differences. Shortly thereafter Cora pledged 240 of her 300 shares in the St. Clair Estate Company to a bank as security for a loan, which she did not pay. At the pledgee's sale the stock was bought by E. S. St. Clair. Cora's remaining 60 shares in the St. Clair Estate Company were sold at an execution sale in 1917 to Henry Biggs and subsequently were acquired by E. S. St. Clair. Although Cora had lost her stock in the St. Clair Estate Company in the foregoing manner, the brothers continued to give her at least \$150.00 a month and larger amounts at intervals so that between 1917 and 1928 she received from them more than \$65,000.00. In addition, the brothers had caused the St. Clair Estate Company to construct a house for her at a cost of about \$15,000.00.

(2) In 1928 Cora employed an attorney who filed

a proceeding seeking an adjudication that one-fourth of the stock of the St. Clair Estate Company was held under an implied trust in her favor and for her benefit. It was also claimed that the brothers were guilty of fraud and mismanagement in their conduct of the St. Clair Estate Company's affairs. Prior to the trial of the proceeding, the St. Clair Estate Company, the three brothers and Cora, on January 31, 1929, entered into a settlement agreement. The agreement provided for the transfer in trust of 300 of the 600 shares of the St. Clair Estate Company's stock held by E. S. St. Clair to a Los Angeles bank as trustee for Cora and her son, Leonard St. Clair Cooper, with Cora to receive the income from the trust during her lifetime. It was agreed by the three brothers in their capacities as stockholders and in whatever official capacities they might thereafter occupy in the St. Clair Estate Company and by the Company in so far as it had the legal [47] right to do so that from January 31, 1929, the surplus profits of the St. Clair Estate Company thereafter accumulated should be determined annually as nearly as practicable on February 1 and dividends declared distributing such surplus to the stockholders. It was further agreed that the portion of such dividends payable to the trustee should be divided into twelve equal amounts and that one of them should be paid to the trustee on the first day of each month until the next declaration of dividends, with such procedure to be repeated and continued indefinitely. On February 2, 1929, the parties executed a supplement to the foregoing agreement,

providing that the first \$6,000.00 of dividends annually paid on the stock held by the trustee should be held by the St. Clair Estate Company for payment in monthly installments to the trustee and that the amounts in excess of \$6,000.00 should be paid over immediately to the trustee, to be held and disposed of by it at the direction of Cora.

(3) On December 1, 1932, plaintiffs herein entered into a property agreement, copy of which is attached hereto, marked Exhibit "A" and by reference made a part hereof.

(4) Prior to 1938 it was the practice of the St. Clair Estate Company's directors to have informal meetings, for some of which no records were made. From 1930 through 1935 the directors made no formal declarations of dividends and no entry thereof was made on the minute book of the St. Clair Estate Company. However, during each of the years following the execution of the above-mentioned settlement agreement, the St. Clair Estate Company, with few exceptions, paid to the trustee \$500.00 per month, which was designated by it as dividends and was reported as such by the trustee on its fiduciary returns of income. Throughout the years 1929 through 1940 the three St. Clair brothers had accounts on the books of the company designated "Dividend Accounts" to which were credited from time to time amounts payable to them and which were debited with payments made to them from time to time upon their demand.

(5) On December 22, 1938, Cora St. Clair filed

an action (Action No. 33053) in the Superior Court of the State of California in and for the County of Kern against the St. Clair Estate Company and her three brothers. In it she asserted many claims against the brothers on behalf of the St. Clair Estate [48] Company, alleged that the brothers had been guilty of many acts of misconduct, mismanagement and fraud, and asked for a dissolution of the St. Clair Estate Company and for an accounting in respect to its affairs. She did not question the validity of the dividends shown on the St. Clair Estate Company's books as payable to the brothers, but contended that they owed the St. Clair Estate Company sums in excess thereof, and upon that basis she asked that the St. Clair Estate Company be restrained from paying any moneys to the brothers as dividends or otherwise pending trial of the action. On the same day the Court issued an Order, copy of which is attached hereto, marked Exhibit "B," and by reference made a part hereof.

(6) On December 23, 1938, the directors of the St. Clair Estate Company held a meeting at which they adopted, among others, resolutions declaring that all sums paid the trustee from January 31, 1929, through December 31, 1937, were and constituted dividends for the year in which paid, and further declaring that the St. Clair Estate Company's action in crediting and paying to the three brothers equalizing dividends so that the total dividends paid to each stockholder for the period January 31, 1929, through December 31, 1937, would aggregate \$56,000.00 was ratified and confirmed. They also



adopted a resolution authorizing a distribution of \$20.00 per share, or a total of \$24,000.00 payable forthwith. A copy of the minutes of said meeting are appended hereto, marked Exhibit "C" and by reference made a part hereof. A copy of minutes of a stockholders' meeting held the same day is appended hereto, marked Exhibit "W" and by reference made a part hereof.

(7) Before the meeting of the directors held on December 23, 1938, had adjourned, a copy of the Court Order entered on the preceding day was served, and the brothers, immediately following adjournment and on December 23, 1938, obtained a modification of the Order so as to remove the restraint against the declaration of dividends. A copy of said Modification Order is appended hereto, marked Exhibit "D" and by reference made a part hereof. However, the restraint on payment continued in full force and effect. The distribution of \$24,000.00 was recorded on the St. Clair Estate Company's books in December, 1938, by entries debiting dividends declared with that amount and crediting the dividend account of the trustee and each of the three brothers with the amount of \$6,000.00 with the explanation "To record dividends for the year 1938." [49]

(8) On December 28 and 30, 1938, hearing was had in the Superior Court of Kern County on the Order directing the company to show cause why the Temporary Restraining Order should not be made permanent, and as a result the Court ordered



that the Temporary Restraining Order theretofore issued continue in effect pending trial of the action.

(9) On January 10, 1939, Cora, her son and the trustee, as shareholders of the St. Clair Estate Company, filed in the Superior Court of California in and for the County of Kern a Shareholders' Petition (Action No. 33107) for Court supervision of the winding up of the affairs of the St. Clair Estate Company, as provided for under the California Civil Code. After hearing was had on the Petition, an Order was filed on April 20, 1939, providing that the St. Clair Estate Company's affairs be wound up under the supervision of the Court and that no distribution should be made of the St. Clair Estate Company's assets or property except by Order of the Court.

(10) On April 28, 1939, the Court, pursuant to the stipulation of the parties, ordered that the St. Clair Estate Company pay the sum of \$24,000.00 to its stockholders, \$6,000.00 to the trustee and \$6,000.00 to each of the three brothers. A copy of the Superior Court's minutes at the hearing held April 28, 1939, is attached hereto, marked Exhibit "E," and by reference made a part hereof. Thereafter, on October 13, 1939, it entered its Order in Action No. 33107 construing its Order of April 28, 1939. A copy of said Order is appended hereto, marked Exhibit "F," and by reference made a part hereof.

(11) On May 8, 1939, each of the brothers were paid \$6,000.00 by the St. Clair Estate Company. Their dividend accounts on the St. Clair Estate

Company's books were debited with the amounts paid them, and on the stubs of the checks issued for the payment were entered the statement "Account dividend declared December 23, 1938." Each of the brothers, in his 1938 return, reported as dividends and income received in 1938, the amount of \$6,000.00 representing his part of the dividend declared by the directors on December 23, 1938, and paid the income tax thereon. Subsequently, the Treasury Department refunded to the brothers the tax paid on the \$6,000.00 dividends that each reported in his 1938 return. [50]

(12) By resolutions of the Board of Directors of the St. Clair Estate Company adopted at the meeting held December 27, 1939, copy of the minutes of which is attached hereto, marked Exhibit "G," and by reference made a part hereof, the Board authorized the distribution of \$23,000.00 to the shareholders payable forthwith. Pursuant to the stipulation of the parties in Action No. 33053 that the Restraining Order might be so modified, the Court, on December 27, 1939, entered its Order authorizing and directing the payment by the St. Clair Estate Company to its stockholders in 1939 "amounts up to the net earnings of said corporation for the year 1939." Thereafter on the same day a stipulation of the parties was filed in Action No. 33107 authorizing the distribution to the shareholders of \$23,000.00. Later the same day checks for \$5,750.00 were delivered to each of the four shareholders of the St. Clair Estate Company. In their 1939 income tax returns, plaintiffs included in income as dividends received in

1939 the sum of \$11,750.00 distributed to them as hereinabove set forth during the calendar year 1939 consisting of the \$6,000.00 authorized by the resolutions of December 23, 1938, and the \$5,750.00 authorized by the resolutions of December 27, 1939. The stockholders of the St. Clair Estate Company did not surrender any of their certificates of stock in said corporation during 1939, and the corporation did not during that year cancel any certificates or shares of its stock. Copies of plaintiffs' Federal income tax returns for the year 1939 are attached hereto, marked Exhibits "H" and "I," respectively, and by reference made a part hereto. A copy of the Stipulation authorizing the distribution ordered by the Court on December 27, 1939, is attached hereto, marked Exhibit "J," and by reference made a part hereof.

(13) Pursuant to stipulation of the parties, the Superior Court, in Action No. 33107, during 1940 entered four Orders directing payment by the St. Clair Estate Company in that year of amounts totalling \$26,000.00. An Order entered June 4, 1940, directed the payment of \$6.66 per share "out of the earnings of 1940." An Order entered October 3, 1940, directed the payment of \$4,000.00 "out of the St. Clair Estate Company income on hand." An Order entered December 11, 1940, directed the payment of \$8.33 per share "out of the earnings of the above corporation for the year 1940 solely." An Order entered December 26, [51] 1940, directed the payment of a dividend of \$3.33⅓ per share "solely out of and from income that has accrued to the said

corporation for the calendar year 1940 and that is now available for said purpose." The four distributions authorized as aforesaid during the year 1940 were paid by the corporation, each of the shareholders receiving as his share \$6,500.00. In their 1940 Federal income tax returns, plaintiffs included in income and reported as dividends the amount so received. The stockholders of the St. Clair Estate Company did not surrender any of their certificates of stock in said corporation during 1940, and the corporation did not, during that year, cancel any certificates or shares of its stock. Copies of plaintiffs' Federal income tax returns for said year are appended hereto, marked Exhibits "K" and "L," respectively, and by reference made a part hereof. Copies of the minutes of the meetings of the Board of Directors held in 1940 authorizing the distributions set forth above are attached hereto, marked Exhibits "M," "N," and "O," respectively, and by reference made a part hereof. Copies of the Orders of the Court authorizing the distributions made during said year are attached hereto, marked Exhibits "P," "Q," "R," and "S," respectively, and by reference made a part hereof.

(14) Thereafter proceedings involved in Actions Nos. 33053 and 33107 proceeded simultaneously. The former, involving a demand for an accounting, proceeded to judgment adverse to the plaintiff, and an appeal therefrom was taken to the District Court of Appeal. The trial court's decision was affirmed. *In Re St. Clair Estate Company*, 66 Cal. App. (2d)



964; 153 Pac. (2d) 453, on November 22, 1944. A rehearing in said Court was denied on December 19, 1944, and the Supreme Court of the State denied a hearing on January 18, 1945. Thus terminated Action No. 33053.

(15) Action No. 33107, involving Court supervision of the winding up and dissolution of the St. Clair Estate Company, continued as indicated by the copy of the Registrar of Actions of the Superior Court of Kern County pertaining thereto which is attached hereto, marked Exhibit "T," and by reference made a part hereof.

(16) The St. Clair Estate Company claimed a dividend paid credit for the year 1939 of \$47,000.00 and for the year 1940 a dividend paid credit of \$26,000.00. Said corporation's net income for the year 1939 was \$21,417.48 and for the year [52] 1940 was \$19,107.58. Its earned surplus at the close of each of said years was in excess of \$150,000.00. The Bureau of Internal Revenue proposed a deficiency of personal holding company surtax against the St. Clair Estate Company for the years 1937 to 1940, inclusive. A statutory notice of deficiency was issued August 16, 1941, and an appeal therefrom was taken to the United States Tax Court where the liability of said corporation for said taxes was litigated. The report of said case appears in St. Clair Estate Company v. Commissioner of Internal Revenue, 9 T.C. 392. The Government was successful in establishing deficiencies of surtax for the calendar years 1937 and 1938, whereas the St. Clair

Estate Company was successful in establishing its nonliability for the years 1939 and 1940. The litigation in the Tax Court continued until promulgation of said Court's decision on September 24, 1937. Thereafter both sides filed Petitions for Review with the Court of Appeals for the Ninth Circuit. On November 3, 1948, the St. Clair Estate Company on the one hand and the Commissioner of Internal Revenue on the other hand, by stipulation, dismissed their appeals to the Court of Appeals for the Ninth Circuit.

(17) Thereafter the St. Clair Estate Company filed with the Commissioner of Internal Revenue Notice of Intention to Claim a Deficiency Dividend Credit Under Section 506 of the Internal Revenue Code for the year 1937, and on June 22, 1948, made a distribution to its stockholders as provided in section 506(c) of the Internal Revenue Code. Thereafter it filed its claim for said credit on Treasury Department Form 976, which claim was allowed in full by the Commissioner of Internal Revenue.

(18) On February 18, 1949, and within the time permitted by law, the St. Clair Estate Company filed with the Commissioner of Internal Revenue in Washington, D. C., on Treasury Department Form 975 its Notice of Intention to Claim a Deficiency Dividend Credit Under Section 506 of the Internal Revenue Code for the year 1938. Prior thereto, however, the St. Clair Estate Company, on October 28, 1948, paid the 1938 deficiency found by the



United States Tax Court to be \$8,318.77. Thereafter the corporation filed in the Superior Court of the State of California in and for Kern County in Action No. 33107 a Petition for Order Distributing Assets of Corporation in Final Liquidation, among other things [53] praying therein that the corporation be permitted to so distribute its assets that the time and distribution thereof would permit the corporation to obtain a deficiency dividend credit which would operate to expunge the 1938 deficiency. Accordingly, on December 30, 1948, said Court entered an Order conforming with the prayer in the Petition. Copy of said Order is attached hereto, marked Exhibit "U," and by reference made a part hereof.

(19) Thereafter distribution of the remaining assets of the St. Clair Estate Company was made according to the schedule, copy of which is attached hereto, marked Exhibit "V," and by reference made a part hereof.

(20) Pursuant to claim filed by said corporation on Treasury Department Form 976 for the personal holding company surtax paid by it for the calendar year 1938, the Treasury Department, on October 29, 1949, refunded to said corporation the surtax paid for the year 1938.

(21) On December 30, 1949, the St. Clair Estate Company filed with the Superior Court in and for Kern County in Action No. 33107 its Petition for Order of Final Dissolution. Hearing thereon was duly had on January 12, 1950, and on that date said

Court entered an Order declaring the St. Clair Estate Company dissolved.

DEMPSEY, THAYER,  
DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,  
Attorney for Plaintiff.

EARNEST TOLIN,  
United States Attorney,

E. H. MITCHELL,  
Assistant United States  
Attorney,

EDWARD R. McHALE,  
Assistant United States  
Attorney,

EUGENE HARPOLE,  
JAMES D. PETTUS,  
Special Attorneys, Bureau of  
Internal Revenue.

By /s/ JAMES D. PETTUS,  
Attorneys for United States  
of America, Defendant. [54]

Exhibit B

In the Superior Court of the State of California,  
in and for the County of Kern

No. 33053

CORA M. ST. CLAIR,

Plaintiff,

vs.

ST. CLAIR ESTATE COMPANY, a Corporation,  
et al.,

Defendants.

ORDER TO SHOW CAUSE AND TEMPORARY  
RESTRAINING ORDER

On reading and filing the verified complaint of plaintiff in this suit and the affidavit of Warren E. Libby, one of the attorneys for plaintiff, it appears to the satisfaction of the Court therefrom that this is a proper case for a temporary restraining order and that, unless the temporary restraining order prayed for in said complaint be granted, great and irreparable injury will result to the plaintiff before the matter can be heard on notice, and good cause appearing therefor:

It Is Therefore Ordered that the said defendants St. Clair Estate Company, a corporation, L. P. St. Clair, E. S. St. Clair, F. C. St Clair, Bakersfield Laundry Association, a corporation, Henry Biggs, Anastasia St. Clair, Marie Costello St. Clair, and each of them appear before this Court in its Courtroom, in Department Two thereof, in the Court

house, in the City of Bakersfield, County of Kern, State of California, at the hour of Two o'clock, P. M., on the 27th day of December, 1938, then and there to show cause, if any they have, why they and each of them should not be restrained and enjoined during the pendency of this suit from removing, altering, disposing of, or destroying any of the books of account, records, papers, assets and property, of the St. Clair Estate Company, a corporation, Bakersfield Laundry Association, a corporation, St. Clair Oil Company, a co-partnership, Coalinga Central Oil Company, a [1078] corporation' Calloma Oil Company, a corporation, Calloma Extension Oil Company, a co-partnership, St. Clair and Jastro, a co-partnership, Calex Oil Company, a corporation, Tejon Oil Company, a corporation, and Wildecat Mining Company, a fictitious name; and also why they, and each of them, should not be restrained from declaring or paying any dividends on the part of the St. Clair Estate Company, a corporation, to cancel the fictitious account upon its books against the plaintiff for the sum of \$20,000.00 labelled "prepayments of dividends" and from equalizing dividends and paying to said defendants, L. P. St. Clair, E. S. St. Clair and F. C. St. Clair the sum of \$20,000.00 each from the assets of said St. Clair Estate Company as dividends, and from paying to them, or either of them, any dividends claimed to be owing and unpaid to them from the St. Clair Estate Company until an accounting is had herein;

It Is Further Ordered that pending the hearing

of this Order to Show Cause, You, and each of you, are hereby restrained and enjoined

(1) From altering, removing, disposing of, and destroying any of the books, records, books of account, property or assets of the St. Clair Estate Company, a corporation, Bakersfield Laundry Association, a corporation, St. Clair Oil Company, a co-partnership, Coalinga Central Oil Company, a corporation, Calloma Oil Company, a corporation, Calloma Extension Oil Company, a co-partnership, St. Clair and Jastro, a co-partnership, Calnex Oil Company, a corporation, Tejon Oil Company, a corporation, and Wildeat Mining Company, a fictitious name, or any part of said records or property, excepting in the general and ordinary course of business of said St. Clair Estate Company and Bakersfield Laundry Association;

(2) From “declaring or”<sup>1</sup> paying any dividends on the part of the St. Clair Estate Company, a corporation, to cancel the [1079] fictitious account upon its books against the plaintiff for the sum of \$20,000.00 labelled “prepayments of dividends” and from “equalizing dividends and”<sup>2</sup> paying to said defendants, L. P. St. Clair, E. S. St. Clair and F. C. St. Clair the sum of \$20,000.00 each from assets of said St. Clair Estate Company as dividends, and from paying to them, or either of them, any dividends claimed to be owing and unpaid to them from

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<sup>1</sup>M B 124 Page 23 Strike.

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<sup>2</sup>M B 124 Page 23 Strike.



the St. Clair Estate Company until an accounting is had herein;

It Is Further Ordered that a copy of this order, together with a copy of the complaint and affidavit in this action, be served on each of the defendants herein at least 3 days before the time set for the hearing herein.

[Seal]      /s/ W. L. BRADSHAW,  
Judge of the Superior Court.

Memorandum of Authorities:

Sec. 526, C.C.P.;

6A Cal. Jur. (Corporations) Sec. 457;

Wright vs. Orville Mining Co., 40 Cal. 20

[Endorsed]: Filed Dec. 23, 1938, Superior Court.

Exhibit C

Minutes of Meeting of Board of Directors of  
St. Clair Estate Company

Held: December 23, 1938

Pursuant to call by the President, and written notice given to all directors as required by law, and by the By-Laws of the Company, a meeting of the Board of Directors of St. Clair Estate Company was held at the office of the corporation, 1517 20th Street, in the City of Bakersfield, California, on Friday, December 23, 1938, at 10 o'clock A. M.

There were present Directors:

/s/ E. S. ST. CLAIR

/s/ F. C. ST. CLAIR

/s/ L. P. ST. CLAIR

/s/ HENRY BIGGS



Absent:

/s/ CORA ST. CLAIR COOPER

President, E. S. St. Clair presided and the following business was transacted:

The President reported that an examination of the books and records of St. Clair Estate Company had been made by Haskins & Sells, Certified Public Accountants, and he thereupon presented to the Directors financial statements and reports prepared by said Accountants, covering in particular the period from February 1, 1929, to and including December 6, 1938, and certain matters of interest [73] prior thereto, for examination and consideration. A discussion of said matters then followed.

Whereupon, on motion of Director L. P. St. Clair seconded by Director Henry Biggs, the following resolution was unanimously adopted:

“Whereas, the corporation has caused an examination of the books and records of St. Clair Estate Company to be made by Haskin & Sells, Certified Public Accountants; and

“Whereas, reports of the results of such examination and financial statements prepared by said auditors covering in particular the period from January 31, 1929, up to and including December 6, 1938, and including among other matters:

(a) Balance sheets as of January 31, 1929; as of December 31, 1937; and as of December 6, 1938, with appropriate comparisons.

(b) Statement of income for the period from and after January 31, 1929, to and including De-

ember 31, 1937, and also thereafter up to and including December 6, 1938, by periods (showing revenues and expenses) and giving in detail the revenues received and the expenditures made (exclusive of profits and losses arising from disposal of capital assets), year by year. [74]

(c) Statement of investment securities owned by the Company as of December 31, 1937, and also as of December 6, 1938, and showing the book value and the market value thereof, respectively, on the latter date.

(d) Statement of unimproved lands as of December 6, 1938; also itemized statements of other assets which are of such character as to be impractical to show on the balance sheet, up to December 6, 1938.

(e) Statement of earned surplus as of February 1, 1929, and also for the period from January 31, 1929, to and including December 31, 1937, and also for the period from December 31, 1937, to and including December 6, 1938.

(f) Statement of dividend payment from January 31, 1929, to and including December 6, 1938.

(g) Statement of paid in surplus as shown by the books on December 6, 1938.

(h) Statements of assets received by the corporation as consideration for issuance of capital stock as of March 7, 1903.

(i) Estimated realizable value of assets of the company as of December 6, 1938.

(j) Estimated value of assets of the company as of March 1, 1913.

(k) Statement of assets recorded on books [75] on opening entry under date of February 25, 1915, and other matters as appear from said statements.

“And, Whereas, the directors having examined and fully considered said reports and financial statements, and being fully advised in the premises, are satisfied with the conduct of the affairs of the company as shown by said report and financial statements; and

“Whereas, the President has reported that except for minor current accounts payable, not exceeding the sum of \$500.00 and the action pending in the Superior Court of the State of California, (Los Angeles County No. 425-810) in which Cora St. Clair is plaintiff and St. Clair Estate Company, et al., defendants, in which action the sum of \$4500.00 is in issue, the corporation has no known debts or liabilities;

“Now, Therefore, Be It Resolved that said report and financial statements be and the same are hereby received and approved.

“Resolved, Further, that all sums of money paid to Security-First National Bank of Los Angeles, as trustee for Cora St. Clair (Cooper) from January 31, 1929, to and including December 31, 1937, aggregating \$56,500.00 were and do constitute dividends of St. Clair Estate Company in the year in which said sums respectively were paid. [76]

“Resolved, Further, that the crediting and payment in the year 1938 to stockholders F. C. St. Clair, E. S. St. Clair and L. P. St. Clair, of equalizing dividends payable forthwith, aggregating \$45,000.00, so that the total dividends paid to said

stockholders for the period January 31, 1929, to and including December 31, 1937, aggregating \$56,000.00 to each stockholder, is hereby ratified, confirmed and declared to be the act and deed of the Board of Directors of said St. Clair Estate Company and of said Company.

“Resolved, Further, that a dividend payable forthwith of \$20.00 per share on the outstanding stock of the Company and aggregating \$24,000.00, be and the same is hereby declared out of the earned surplus and surplus profits of the corporation, payable in the year 1938, as follows: To said Security-First National Bank of Los Angeles, Trustee for Cora St. Clair Cooper \$6,000.00 (heretofore paid), F. C. St. Clair \$6,000.00, E. S. St. Clair \$6,000.00, and L. P. St. Clair \$6,000.00.

“Resolved, Further, that the declaration or making of, and the payment and/or crediting to stockholders of the respective dividends during the period from January 1, 1929, to and including December 6, 1938, as shown by said reports and/or said financial statements be, and each and every thereof is, hereby approved, ratified and confirmed, and declared to be the act and [77] deed of the Board of Directors of St. Clair Estate Company, and of said Company.

“Resolved, Further, that each and all of the acts and transactions, as set forth or referred to in said reports and financial statements be and the same are hereby approved, ratified and confirmed.

“Resolved, Further, that all of the acts of the officers of the company in making expenditures and disbursements, receiving and handling of revenues,



purchase or other acquisition of assets in addition to those originally received by the company, and the disposal of assets of the company as set forth and/or referred to in said report or financial statement be, and the same are, hereby all and singular approved, ratified and confirmed.”

“Resolved, Further, that the President or Vice-President and Secretary of the Company be, and said officers are, hereby authorized and fully empowered, in their discretion, to offer for sale and to sell at public or private sale any securities (consisting of shares of corporate stock or bonds, or both) owned by St. Clair Estate Company, at the market price therefor, at any time between and including December 23, 1938, and December 30th, 1938, and to use the proceeds thereof in payment and discharge of any and all dividends declared and/or ratified or dividend payments authorized to [78] be paid by resolution adopted at this meeting of directors.

“Resolved, Further, that as to and respecting any such securities which are listed and traded in upon a stock exchange, the sale of any such securities upon the New York Stock Exchange, or other Exchange upon which the same is listed, at the market on such Exchange on the day and at the time of day at which the sale is made, shall conclusively establish and constitute the market price for such security.

“Resolved, Further, that the President or Vice-President, and the Secretary of this corporation be, and said officers are, hereby fully authorized and empowered, in their discretion, to satisfy all or any

portion of each and every dividend which has been declared and authorized to be paid, by resolution adopted at this meeting of the Board of Directors, or the making of which and/or the payment of which has been authorized or ratified by resolution adopted at this meeting of the Board of Directors, by transfer and delivery to any stockholder entitled to receive dividend payment and who is willing to accept the same, of securities (consisting of shares of corporate stock or corporate bonds, or both) owned by St. Clair Estate Company, at the market price thereof on the date of such transfer and delivery, which shall take place at any time between and [79] including December 23, 1938, and December 30, 1938.

“Resolved, Further that, as to any such securities which are listed and traded in upon any established stock exchange—the closing price on the said date of sale on the New York Stock Exchange, or other Exchange upon which such securities are listed, which securities are transferred and delivered to a stockholder in satisfaction in whole or in part of dividend payment hereunder, shall constitute the market price of such security on the date of such delivery, within the period hereinabove prescribed therefor.

“Resolved, Further, that in case the company transfers and delivers to any stockholder any security or securities owned by the company in satisfaction in whole or in part of dividend payment to such stockholder—as authorized by the last preceding resolution of this Board of Directors—the Presi-



dent or Vice-President and Secretary are further authorized instructed to tender and offer to each other stockholder of the company, the opportunity to take a proportionate amount of the same security or securities in satisfaction, in whole or in part, of any dividend payment or payments payable to such stockholder, pursuant to resolutions adopted at this meeting of the Board of Directors, or in case payment has previously been made to any such stockholder, of similar dividends in cash, then there be offered to [80] such stockholder the opportunity to purchase for cash a proportionate amount of such securities at the same price as the same shall be taken by any stockholder in satisfaction in whole or in part of dividend payment payable to such stockholder.”

Upon motion duly made and carried, the meeting was adjourned.

/s/ F. C. ST. CLAIR,

Secretary of St. Clair Estate  
Company.

/s/ E. S. ST. CLAIR,

President of St. Clair Estate  
Company. [81]

St. Clair Estate Company  
(Incorporated in California)

Balance Sheet, December 6, 1938

Assets

Cash .....	\$	8,199.06
Dividends Receivable (payable in December, 1938) .....		380.53
Notes Receivable:		
Cora M. Cooper .....	\$	2,750.00
Sunset Oil Company .....		1,562.50
M. H. Warren .....		345.39
		<hr/>
Total notes receivable .....		4,657.89
Investment Securities .....		433,497.84
Property:		
Unimproved lands .....	\$	21,773.06
Hollywood residence property		
(net depreciated value) .....		7,388.80
Mining claims .....		250.00
		<hr/>
Total Property .....		29,411.86
		<hr/>
Total.....		<u>\$476,147.18</u>

Liabilities

Accrued Taxes:		
Federal income tax .....	\$	358.35
Federal capital stock tax .....		115.00
California State franchise tax.....		25.00
		<hr/>
	\$	498.35
Stockholders' Accounts:		
L. P. St. Clair.....	\$	36,633.20
F. C. St. Clair.....		35,900.00
E. S. St. Clair.....		21,160.10
		<hr/>
Total stockholders' accounts .....		93,693.30
Stated Capital and Surplus:		
Stated capital (authorized and outstanding,		
1,200 shares of \$20.00 each) .....	\$	24,000.00
Paid-in surplus .....		105,487.00
Earned surplus .....		252,468.53
		<hr/>
Total stated capital and surplus.....		381,955.53
		<hr/>
Total.....		<u>\$476,147.18</u>

## St. Clair Estate Company

## Statement of Income

For the Period From January 1, 1938, to December 6, 1938

## Revenues:

Dividends on stocks .....	\$32,440.36	
Royalty on Nincovich Lease.....	1,344.44	
Miscellaneous .....	160.94	\$33,945.74
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## Expenses:

Management compensation (E. S. St. Clair)..	\$ 2,400.00
Legal and accounting fees.....	3,170.00
County property taxes.....	704.75
Federal income and capital stock taxes.....	1,904.78
California franchise tax.....	343.35
Interest .....	568.48
Subscriptions to financial services.....	147.85
Depreciation of Hollywood building.....	168.82
Contributions .....	150.00
Miscellaneous .....	88.90
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Total expenses ..... 9,646.93

Net Income.....\$24,298.81

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St. Clair Estate Company  
Investment Securities  
December 6, 1938

		Estimated Market Value	
	Shares	Book Value	Per Share      Amount
Marketable securities:			
Union Oil Company of Calif.....	9633	\$191,992.21	\$ 18.75 \$180,618.75
Transamerica Corp. ....	2096	48,910.64	7.00 14,672.00
Shell Union Oil Co.....	2077	28,745.81	14.13 29,337.63
Honolulu Oil Corp.....	1000	39,906.26	20.50 20,500.00
Allis-Chalmers Manufact'ng Co. 150		7,622.50	46.00 6,900.00
Standard Oil Co. of Indiana.....	100	4,907.50	26.75 2,675.00
U. S. Pipe & Foundry.....	100	3,295.00	44.50 4,450.00
Southern Calif. Gas Co. 6% pfd. 356		7,453.75	30.00 10,680.00
Bank of America N.T. & S.A.....	419	23,045.00	37.00 15,503.00
Bancamerica-Blair Corp. ....	83	996.00	3.25 269.75
West Coast Life Insurance Co...	52	596.00	7.50 390.00
Total.....		<u>\$357,470.67</u>	<u>\$285,996.13</u>
Other securities:			
Bakersfield Laundry Assn.....	200	\$ 20,000.00	\$200.00 \$ 40,000.00
Calex Oil Company.....	12000	33,799.38	.60 7,200.00
San Joaquin Compress & Warehouse Co. ....	25	1,700.00	200.00 5,000.00
Bakersfield Investment Co.....	100	7,914.69	85.00 8,500.00
Padre Hotel Corp.....	20	2,000.00	100.00 2,000.00
S. W. & B. Oil Co.....	53631	5,363.10	.10 5,363.10
Bakersfield Sandstone Brick Co.	93.46	3,750.00	100.00 9,346.00
Sun-maid Raisin Growers Ass'n pfd. ....	5	500.00	nil
Bakersfield Elks Hall Assn. ....	1025	1,000.00	nil
Total.....		<u>\$ 76,027.17</u>	<u>\$ 77,409.10</u>
Total.....		<u><u>\$433,497.84</u></u>	<u><u>\$363,405.23</u></u>

Note: Marketable securities have been valued at the last bid or sale prices on December 6, 1938. The other securities are stated at values as estimated by Mr. E. S. St. Clair.

St. Clair Estate Company  
Property  
December 6, 1938

	Book Value	Estimated Realizable Value
Unimproved Lands:		
Kern County, California:		
480 acres in Section 20-28-24 (NW $\frac{1}{4}$ and S $\frac{1}{2}$ ) .....	\$ 4,800.00	\$ 4,800.00
80 acres in Section 18-11-19 (E $\frac{1}{2}$ of SE $\frac{1}{4}$ ) (1) .....	800.00	2,000.00
$\frac{1}{8}$ interest in 70 acres in Section 6-11-23 (NW $\frac{1}{4}$ of SE $\frac{1}{4}$ , S $\frac{1}{2}$ of NE $\frac{1}{4}$ of SE $\frac{1}{4}$ , 5 acres in SE $\frac{1}{4}$ of SE $\frac{1}{4}$ , and 5 acres in SE $\frac{1}{4}$ of NE $\frac{1}{4}$ ) (2) .....	899.22	12,000.00
100 acres in Sections 1 and 2-29-21 (W $\frac{1}{2}$ of E $\frac{1}{2}$ of W $\frac{1}{2}$ of NW $\frac{1}{4}$ and W $\frac{1}{2}$ of W $\frac{1}{2}$ of NW $\frac{1}{4}$ of Section 1 and E $\frac{1}{2}$ of E $\frac{1}{2}$ of NE $\frac{1}{4}$ of Section 2) .....	10,000.00	10,000.00
100 acres in Section 28-30-27 (Westerly 100 acres of SW $\frac{1}{4}$ ) (3) .....	3,060.26	3,000.00
Los Angeles County, California:		
$\frac{1}{4}$ interest in Gardena lot (S 209.17 feet of Lot 5 of South Gardena Tract) .....	2,213.58	2,000.00
Total unimproved lands .....	\$21,773.06	\$33,800.00
Hollywood Residence Property (1712 Sierra Bonita Ave., Los Angeles, California) .....	7,388.80	12,000.00
Mining Claims:		
Wilkinson Placer Claim, Nevada County, Calif. (10/24ths interest)		
Wild Cat Placer Claim, Nevada County, Calif. (5/9ths interest)		
Live Oak Claim, Placer County, Calif.		
Total mining claims .....	250.00	250.00
Total .....	\$29,411.86	\$46,050.00

(1) Subject to lease to Union Oil Company of California.

(2) Subject to lease to N. Nincovich.

(3) Subject to lease to L. G. Helm.

The above realizable values are based upon estimates made by  
Mr. E. S. St. Clair.

St. Clair Estate Company  
Statement of Earned Surplus  
For the Period From January 1, 1938, to December 6, 1938

Balance—January 1, 1938.....	\$311,270.50
Adjustment—value assigned to company's interest in 70 acres parcel in Section 6-11-23, Kern County.....	899.22
Adjusted Balance, January 1, 1938.....	\$312,169.72
Net Income .....	24,298.81
Total.....	\$336,468.53
Dividends .....	84,000.00
Balance—December 6, 1938.....	\$252,468.53

St. Clair Estate Company  
Stockholders' Accounts  
From January 31, 1929, to December 6, 1938

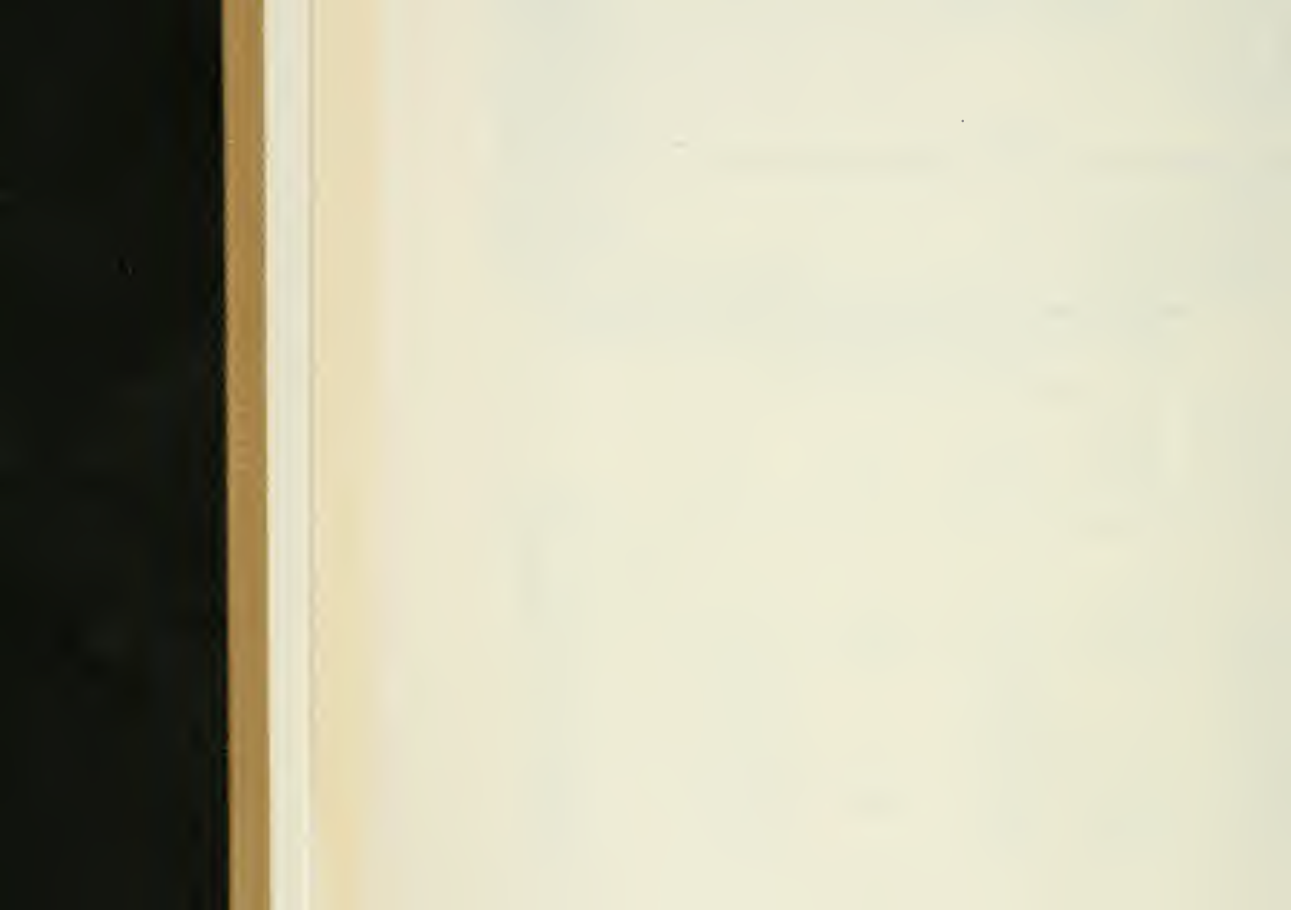
	Total	L. P. St. Clair	E. S. St. Clair	F. C. St. Clair	Sec. First Nat'l Bk., Trustee
Dividends declared.....	\$250,000.00	\$62,500.00	\$62,500.00	\$62,500.00	\$62,500.00
Less dividend payments:					
1929.....	31,500.00	8,000.00	8,000.00	8,000.00	7,500.00
1930.....	24,968.00	7,000.00	5,868.00	4,600.00	7,500.00
1931.....	8,321.00		2,821.00		5,500.00
1932.....	9,000.00		3,000.00		6,000.00
1933.....	8,000.00		2,000.00		6,000.00
1934.....	7,000.00		1,000.00		6,000.00
1935.....	10,301.00		4,301.00		6,000.00
1936.....	30,500.00	8,000.00	8,500.00	8,000.00	6,000.00
1937.....	17,200.00		5,200.00	6,000.00	6,000.00
1938.....	6,000.00				6,000.00
Total.....	\$152,790.00	\$23,000.00	\$40,690.00	\$26,600.00	\$62,500.00
Remainder..\$	97,210.00	\$39,500.00	\$21,810.00	\$35,900.00	nil
Less other items chargeable to stockholders' accounts .....	3,516.70	2,866.80	649.90		
Balance, Dec. 6, 1938..\$	93,693.30	\$36,633.20	\$21,160.10	\$35,900.00	nil



St. Clair Estate Company  
Estimated Realizable Value of Assets  
December 6, 1938

Cash .....	\$ 8,199.06
Dividends and Notes Receivable .....	5,038.42
Marketable Securities .....	285,996.13
Other Securities .....	77,409.10
Property .....	46,050.00
	<hr/>
Total.....	\$422,692.71
Less Accounts Payable to Stockholders and Accrued Taxes..	94,191.65
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Net Realizable Value.....	<u><u>\$328,501.06</u></u>

Note: Marketable securities have been valued at the last bid or sale prices on December 6, 1938. The other assets are stated at values as estimated by Mr. E. S. St. Clair.



St. Clair Estate Company  
(Incorporated in California)  
Balance Sheet, December 31, 1937, and January 31, 1929, and Comparison

Assets	December 31, 1937	January 31, 1929	Increase (Decrease)
Accounts and Notes Receivable—	\$ 5,907.13	\$ 44,142.99	\$ (38,235.86)
Stockholders:			
M. Cooper:			
Dividend account .....	15,000.00		15,000.00
Other .....	2,750.00	14,467.87	(11,717.87)
P. St. Clair (suspense item originating in 1917).....	2,866.80	2,866.80	
Total.....	\$ 20,616.80	\$ 17,334.67	\$ 3,282.13
Accounts and notes receivable—			
Others:			
Sunset Oil Company .....	3,437.50		3,437.50
H. H. Warren .....	345.39		345.39
Alex Oil Company .....	143.35		143.35
Bakersfield Laundry Association.....	25.00		25.00
Total.....	3,951.24		3,951.24
Investment Securities .....	418,452.35	387,920.80	30,531.55
Property:			
Unimproved lands .....	20,873.84	22,190.44	(1,316.60)
Leases .....		1,775.00	(1,775.00)
Mining claims .....	250.00	250.00	
Hollywood residence property— land and building.....	14,974.02	14,406.30	567.72
Total.....	36,097.86	38,621.74	(2,523.88)
Less reserve for depreciation.....	7,416.40	3,617.76	3,798.64
Net depreciated value .....	28,681.46	35,003.98	(6,322.52)
Total.....	\$477,608.98	\$484,402.44	\$ (6,793.46)

Liabilities	December 31, 1937	January 31, 1929	Increase (Decrease)
Note payable to Bank of America			
National Trust & Savings Association..	\$ 7,900.00		\$ 7,900.00
Account payable to broker.....	191.38		191.38
Accounts payable—stockholders:			
L. P. St. Clair (dividend account).....	12,500.00		12,500.00
F. C. St. Clair (dividend account).....	14,900.00		14,900.00
E. S. St. Clair.....	1,360.10	6,477.12	(5,117.02)
Total.....	28,760.10	6,477.12	22,282.98
Stated Capital and Surplus:			
Stated capital (authorized and outstanding, 1,200 shares of \$20.00 each) .....	24,000.00	24,000.00	
Paid-in surplus .....	105,487.00	105,487.00	
Earned surplus .....	311,270.50	348,438.32	(37,167.82)
Total.....	\$440,757.50	\$477,925.32	\$ (37,167.82)
Total.....	\$477,608.98	\$484,402.44	\$ (6,793.46)



## St. Clair Estate Company

## Statement of Income

For the Period From February 1, 1929, to December 31, 1937, by Periods

	Total	2/1/1929 to 12/31/1929	1930	1931	1932	1933	1934	1935	1936	1937
<b>Revenues:</b>										
Dividends on stocks.....	\$190,173.84	\$27,454.72	\$32,047.88	\$25,636.09	\$11,922.50	\$11,471.25	\$12,630.87	\$13,450.93	\$25,155.03	\$30,404.57
Interest on bank accounts, etc.....	3,049.82		2,040.03	108.20	90.93	149.09	97.85	227.04	14.78	321.90
Share of partnership profits (Beverly Oil Co.)	7,808.39					2,961.56	1,442.94	1,216.08	1,721.19	466.62
Bonuses received as consideration for leases....	30,777.15		25,000.00					319.65	5,457.50	
Oil royalties .....	7,716.59								4,358.90	3,357.69
Miscellaneous .....	803.02		127.56	246.31		12.00	12.50	266.23	71.49	66.93
<b>Total revenues .....</b>	<b>240,328.81</b>	<b>27,454.72</b>	<b>59,215.47</b>	<b>25,990.60</b>	<b>12,013.43</b>	<b>14,593.90</b>	<b>14,184.16</b>	<b>15,479.93</b>	<b>36,778.89</b>	<b>34,617.71</b>
<b>Expenses:</b>										
Management compensation (E. S. St. Clair)...	21,400.00	2,200.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00
Legal and accounting fees.....	1,716.05	932.05	85.00	240.00	70.00	72.50	56.50	60.00	55.00	145.00
Insurance and repairs—Hollywood property..	841.37	51.00				51.00		702.00	37.37	
County property taxes.....	6,031.37	195.72	1,073.04	825.36	705.37	747.85	537.20	676.27	559.11	711.45
California franchise tax.....	689.31	50.00	53.75	96.24	25.00	25.00	25.00	25.00	17.30	372.02
Federal income and capital stock taxes.....	3,127.06		34.52		.40	.92	251.22	532.12	500.00	1,807.88
Interest .....	12,727.40	1,572.46	5,572.69	1,356.44	781.28	693.86	651.92	770.92	652.40	675.43
Contribution to Mercy Hospital.....	500.00			500.00						
Subscriptions to financial services.....	305.78	75.78	20.00		10.00	10.00	20.00		25.00	145.00
Miscellaneous .....	693.84	6.17	41.40	42.89	106.22	234.86	70.16	28.19	35.38	128.57
<b>Total expenses .....</b>	<b>48,032.18</b>	<b>5,083.18</b>	<b>9,280.40</b>	<b>5,460.93</b>	<b>4,098.27</b>	<b>4,235.99</b>	<b>4,012.00</b>	<b>5,194.50</b>	<b>4,281.56</b>	<b>6,385.35</b>
<b>Net Income .....</b>	<b>\$192,296.63</b>	<b>\$22,371.54</b>	<b>\$49,935.07</b>	<b>\$20,529.67</b>	<b>\$ 7,915.16</b>	<b>\$10,357.91</b>	<b>\$10,172.16</b>	<b>\$10,285.43</b>	<b>\$32,497.33</b>	<b>\$28,232.36</b>

Note: In the determination of the net income shown above no consideration has been given to profits or losses arising from the sale or other disposition of assets which have been credited or charged to earned surplus as the case may be.





St. Clair Estate Company  
Investment Securities  
December 31, 1937

Listed Securities:	Shares	Book Value
Union Oil Company of California.....	8,898	\$178,210.96
Transamerica Corporation .....	*2,096	48,910.64
Shell Union Oil Company.....	2,077	28,745.81
Honolulu Oil Company.....	1,000	39,906.26
Allis-Chalmers Manufacturing Co.....	150	7,622.50
Standard Oil Company of Indiana.....	100	4,907.50
U. S. Pipe & Foundry.....	100	3,295.00
Southern California Gas Company, 6% pfd.....	356	7,453.75
Unlisted Securities:		
Bakersfield Laundry Association (100% owned)	200	20,000.00
Calex Oil Company (50% owned).....	12,000	32,935.14
Bank of America Nat'l Trust & Savings Assn...	419	23,045.00
Bancamerica Blair Corporation.....	83	996.00
San Joaquin Compress & Warehouse Company	25	700.00
Bakersfield Investment Company.....	100	8,514.69
Padre Hotel Corporation.....	20	2,000.00
West Coast Life Insurance Company.....	52	596.00
S. W. & B. Oil Company.....	53,631	5,363.10
Bakersfield Sandstone Brick Company.....	93	3,750.00
Sun Maid Raisin Growers Assn., pfd.....	5	500.00
B.P.O.E. Building, Bakersfield, preferred.....	1,025	1,000.00
Total.....		<u>\$418,452.35</u>

\* Represents number of shares of new stock, which the Company will receive upon surrender of certificates for 4,189 shares of old stock not exchanged. The exchange is to be made on the basis of 2 shares of old stock for one share of new stock.

St. Clair Estate Company  
Unimproved Lands, December 31, 1937

Kern County, California :	Book Value
N.W. $\frac{1}{4}$ and S. $\frac{1}{2}$ of Section 20 Township 28 Range 24 (480 acres) .....	\$ 4,800.00
E. $\frac{1}{2}$ of S.E. $\frac{1}{4}$ of Section 18 Township 11 Range 19 (80 acres) .....	(1) 800.00
N.W. $\frac{1}{4}$ of S.E. $\frac{1}{4}$ , S. $\frac{1}{2}$ of N.E. $\frac{1}{4}$ of S.E. $\frac{1}{4}$ , 5 acres in N.W. corner of S.E. $\frac{1}{4}$ of S.E. $\frac{1}{4}$ and 5 acres in S.W. corner of S.E. $\frac{1}{4}$ of N.E. $\frac{1}{4}$ of Section 6 Township 11 Range 23 (70 acres)— $\frac{1}{8}$ interest .....	(2)* nil
W. $\frac{1}{2}$ of E. $\frac{1}{2}$ of W. $\frac{1}{2}$ of N.W. $\frac{1}{4}$ and W. $\frac{1}{2}$ of W. $\frac{1}{2}$ of N.W. $\frac{1}{4}$ of Section 1 Township 29 Range 21 and E. $\frac{1}{2}$ of E. $\frac{1}{2}$ of N.E. $\frac{1}{4}$ of Section 2 Township 29 Range 21 (100 acres) .....	10,000.00
Westerly 100 acres of S.W. $\frac{1}{4}$ of Section 28 Township 30 Range 27 .....	(3) 3,060.26
Los Angeles County, California :	
S. 209.17 feet of Lot 5 of South Gardena Tract— $\frac{1}{4}$ interest....	2,213.58
Total.....	<u>\$20,873.84</u>

(1) Subject to lease to Union Oil Company of California.

(2) Subject to lease to N. Nincovich.

(3) Subject to lease to L. G. Helm.

\* Value assigned to the two parcels of land in Section 6 Township 11 Range 23 (70 acres and 43 acres) as of February 25, 1915, \$5,000.00, was extinguished through the sale of the 43 acre parcel in 1936.

St. Clair Estate Company

Statement of Earned Surplus

For the Period From February 1, 1929, to December 31, 1937

Balance, February 1, 1929.....	\$348,438.32
Net Income .....	192,296.63
Total .....	<u>\$540,734.95</u>

Deduct:

Dividends:

From surplus at February 1, 1929.....	\$ 32,000.00
From current earnings.....	134,000.00

Loss on sale or other disposition of assets (net) :

Investment securities:

Transamerica Corporation .....	\$9,503.44
Bethlehem Steel Corporation.....	5,875.25
Paramount Public Corporation.....	5,440.00
General Motors Corporation.....	1,505.80
Union Oil Company of California.....	18,439.54
Shell Union Oil Company.....	1,993.37
Bankers Investment Association.....	673.68
Antelope Heights Orange Company....	8,578.27
Tejon Oil Company.....	(1,072.32)
Coalinga Central Oil Company.....	(462.04)
Leases quitclaimed .....	1,775.00
Total .....	<u>\$52,249.99</u>

Less excess of proceeds from sale of real  
estate over the book value thereof.....\$7,052.05

Remainder ..... 45,197.94

Account with Cora M. Cooper originating prior to

January 31, 1929, written off.....	14,467.87
Depreciation of Hollywood building.....	3,798.64

Total .....\$229,464.45

Balance, December 31, 1937.....\$311,270.50

## St. Clair Estate Company

## Dividend Payments

For the Period From February 1, 1929, to December 31, 1937

Year	Total	L. P. St. Clair	E. S. St. Clair	F. C. St. Clair	Cora M. Cooper
1929.....	\$ 32,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00
1930.....	24,468.00	7,000.00	5,868.00	4,600.00	7,000.00
1931.....	8,321.00		2,821.00		5,500.00
1932.....	9,000.00		3,000.00		6,000.00
1933.....	8,000.00		2,000.00		6,000.00
1934.....	7,000.00		1,000.00		6,000.00
1935.....	10,301.00		4,301.00		6,000.00
1936.....	30,500.00	8,000.00	8,500.00	8,000.00	6,000.00
1937.....	24,000.00	6,000.00	8,000.00	6,000.00	6,000.00
<hr/>					
Total .....	<u>\$153,590.00</u>	<u>\$29,000.00</u>	<u>\$41,490.00</u>	<u>\$26,600.00</u>	<u>\$56,500.00</u>

St. Clair Estate Company

Statement of Assets Received by the Corporation as Consideration for  
the Issuance of Capital Stock as of March 7, 1903

Cash .....	\$ 45,909.45
Notes Receivable .....	10,427.55

Securities:

Bakersfield Laundry Association (190 shares) .....	\$25,000.00
First National Bank of Bakersfield (25 shares) .....	2,500.00
Senator Oil Company (4,700 shares) .....	4,700.00
Aztec Oil Company (1,000 shares) .....	1,000.00
Monte Cristo Oil Company (1,000 shares) ..	400.00
Bakersfield Hardware Company (75 shares) ..	4,400.00
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Total securities .....	38,000.00

Real Property:

Lots 18, 19, and 20, corner of B and 19th Streets, Bakersfield .....	\$ 2,800.00
Undivided one-half interest in lot, corner of I and 20th Streets, Bakersfield .....	6,500.00
All of Block 356 of City of Bakersfield .....	14,000.00
All of Block 30 of Town of Kern .....	800.00
N.W. 1/4 and S. 1/2 of Section 20-28-24 .....	4,800.00
Section 17-27-23 .....	3,200.00
E. 1/2 of S.E. 1/4 of Section 18-11-19 .....	800.00
Lots 38 and 43 of Section 1-30-27 .....	2,000.00
Undivided 10/24 of Enterprise mining claim situated nr. Lowell Hill, Nev.	} 250.00
Undivided 10/18 of Wild Cat Placer Mine .....	
Liveoak claim .....	
Cemetery lot, Block 84, Union Cemetery .....	nil

Total real property .....	35,150.00
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Total .....	\$129,487.00
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Par Value of Capital Stock Issued .....	24,000.00
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Paid-in Surplus .....	\$105,487.00
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Note: The values of securities and real property as stated above are  
cost or approximate realizable value as of March 7, 1903, as esti-  
mated by E. S. St. Clair.

St. Clair Estate Company  
Estimated Value of Assets as of March 1, 1913

Securities:	Probable Date of Acquisition	Shares	Amount
Antelope Heights Orange Co.....	1907	9,933 $\frac{1}{3}$	\$ 24,833.33
Bakersfield Laundry Association .....	1903	200	40,000.00
Bakersfield Sandstone Brick Co.....	1904	75	3,750.00
Calloma Oil Company.....	1904	16,000	16,000.00
Coalinga Central Oil Company.....	1907	449,995	68,000.00
First National Bank of Bakersfield.....	1903	25	5,425.00
First Bank of Kern.....	1904	60	8,280.00
Imperial Securities Co. ....	1905	5,000	250.00
Pacific Metals Co.....	1913	23 }	2,058.00
Pacific Metals Co. Pfd.....	1913	121 }	
Petroleum Investment Co.....	1913	50	6,800.00
Producers Transportation Co.....	1913	10	1,000.00
S. W. & B. Oil Company.....	1904	53,631	26,815.50
Security Trust Co.....	1911	75	9,750.00
Tejon Oil Company.....	1909	4,500	45,000.00
Union Oil Company of California.....	1913	230	23,000.00

Real Property:

N W $\frac{1}{4}$ and S $\frac{1}{2}$ of Sec. 20-28-24.....	1903	4,800.00
E $\frac{1}{2}$ of SE $\frac{1}{4}$ of Sec. 18-11-19.....	1903	800.00
43 acres in Sec. 6-11-23 ( $\frac{1}{8}$ interest).....	1910	29,300.00
70 acres in Sec. 6-11-23 ( $\frac{1}{8}$ interest).....	1910	47,800.00

Leases:

St. Clair and Jastro.....	1908	28,389.06
Calloma Extension Oil Company (partnership) .....	1908	14,705.64
Mining Claims .....	1903	250.00

Total.....\$407,006.53

Notes: The assets shown above represent those recorded on the books as of February 25, 1915 (date as of which books of the Company were first opened), and inasmuch as there is no record of sales of assets between March 1, 1913, and February 25, 1915, it has been assumed that the assets at both dates were identical.

The amounts at which the assets are stated represent generally values established by Mr. E. S. St. Clair based upon his knowledge of the values as of March 1, 1913.

The assets shown as having been acquired in 1903 were acquired by the Company in connection with the issuance of its capital stock in that year. The dates of acquisition as to the remaining assets were estimated by Mr. E. S. St. Clair.



St. Clair Estate Company  
Assets Recorded on Books in Opening Entry February 25, 1915

Cash .....\$ 2,841.39

Securities:	Shares	
Bakersfield Laundry Association.....	200	\$20,000.00
Antelope Heights Orange Co.....	9,933 $\frac{1}{3}$	24,833.33
Coalinga Central Oil Company.....	449,995	50,000.00
Calloma Oil Company.....	16,000	8,000.00
Tejon Oil Company.....	4,500	4,500.00
Bakersfield Sandstone Brick Co.....	75	3,750.00
First National Bank of Bakersfield....	25	5,425.00
First Bank of Kern.....	60	8,280.00
Imperial Securities Company.....	5,000	250.00
Pacific Metals Company.....	23	2,300.00
Pacific Metals Company, pfd.....	121	12,100.00
Petroleum Investment Company.....	50	6,800.00
Producers Transportation Company	10	1,000.00
S. W. & B. Oil Company.....	53,631	5,363.10
Security Trust Company.....	75	9,750.00
Union Oil Company of California.....	230	23,000.00

Total securities ..... 185,351.43

Unimproved Lands:

N.W. $\frac{1}{4}$ and S. $\frac{1}{2}$ of Section 20 Township 28 Range 24, Kern County (480 acres) .....	4,800.00
E. $\frac{1}{2}$ of S.E. $\frac{1}{4}$ of Section 18 Township 11 Range 19, Kern County (80 acres).....	800.00
$\frac{1}{8}$ interest in two parcels of land in Section 6 Township 11 Range 23, Kern County (70 acres and 43 acres).....	5,000.00

Total unimproved lands..... 10,600.00

Leases:

$\frac{1}{2}$ interest in N.E. $\frac{1}{4}$ of N.E. $\frac{1}{4}$ of Section 6 Township 28 Range 29, Kern County (40 acres) .....	10,000.00
$\frac{1}{2}$ interest in N.W. $\frac{1}{4}$ of S.E. $\frac{1}{4}$ of N.W. $\frac{1}{4}$ of Section 31 Township 28 Range 28, Kern County (10 acres).....	10,000.00

Total leases ..... 20,000.00

## Mining Claims:

Lowell Hill Mining District, Nevada County, Calif.: Wilkinson placer claim—	
10/24 interest .....	100.00
Wildeat mining claim—5/9 interest.....	100.00
Dutch Flat, Placer County, Calif.:	
Live Oak placer claim.....	50.00
Total mining claims.....	250.00
Total assets .....	\$219,042.82
Less Bills Payable.....	5,535.00
Net Assets .....	<u>\$213,507.82</u>

## Exhibit D

Friday, December 23rd, 1938

Court met at 10:00 A. M.

Present: Hon. W. L. Bradshaw, Judge  
W. V. Freeman, Deputy Clerk  
John Jepsen, Bailiff

No. 33053

Cora M. St. Clair

vs.

St. Clair Estate Co., etc., et al.

In the above entitled matter upon ex parte application of Mortimer Kline of counsel for the defendants, pursuant to Section 937 of the C.C.P. and good cause appearing therefor, it is by the Court Ordered that the temporary restraining order heretofore issued herein is hereby modified as follows:

That the words "Declaring or" be stricken from Paragraph 2, line 31 on page 2, and

the words "equalizing dividends and" be stricken from Paragraph 2, line 3, on page 3. [98]

State of California  
County of Kern—ss.

I, R. J. Veon, County Clerk and ex-officio Clerk of the Superior Court, do hereby certify the foregoing to be a full, true and correct copy of the original Minute Order on file in my office and that I have carefully compared the same with the original.

Witness my hand and seal of the Superior Court this 9th day of February, 1945.

[Seal]                      R. J. VEON,  
County Clerk and Ex-Officio  
Clerk, Superior Court.

By L. REAGAN,  
Deputy Clerk. [99]

Exhibit E

Friday, April 28, 1939

Court Met at 10:30 a.m.

Present: Hon. A. Caminetti, Judge.  
F. Roy Davis, Reporter.  
Leo D. Rapp, Deputy Clerk.  
W. J. Littlefield, Bailiff.

No. 33107

In the Matter of  
ST. CLAIR ESTATE COMPANY, a Corporation,  
In the Process of Voluntary Winding Up.

The above-entitled matter came on regularly at

this time today for the purpose of hearing the Petition for Partial Distribution of one of the Stockholders, Cora M. St. Clair with the said Corporation appearing by counsel Harry Conron and Mortimer A. Kline, and with the Petitioner appearing by her counsel Warren E. Libby and R. Y. Burum, all present in open court.

Cause proceeds as follows, to-wit:

Comes now Mortimer A. Kline of counsel for the corporation and moves the Court for Permission to file an answer to the said petition for distribution and good cause appearing therefore, now it is by the Court ordered that said answer may be filed.

Said Answer is filed in open court.

Comes now Mortimer A. Kline and files in open court a motion to Modify the Nunc Pro Tunc order on file herein and made as of February 6th, 1939, and signed by Hon. Louis Drapeau, Judge.

By and at the request of counsel; said record shows that a copy of both the above documents was served in open court upon the counsel present.

Comes now Warren E. Libby of counsel for the Petitioner Cora M. St. Clair and moves the Court to be permitted to Amend the Petition on filed herein for Partial Distribution by adding the name of Leonard St. Clair as one of the Petitions and good cause appearing therefore, now it is by the Court Ordered that said amendment be made by interlineation by the Clerk of the Court.

A statement of Haskins and Sells of the St. Clair Estates Company, as of December 6th and being designated as Exhibit A attached to the petition for

the appointment of a Certified Public Accountant, now offered and received into evidence, marked and filed as Petitioners Exhibit No. 12 and allowed to retain its original place in the files of the above-entitled cause.

Petitioners Exhibit No. 1 now offered in evidence and received by reference, the same being the minutes of the Meeting of the Board of Directors of the above corporation as of December 23rd, 1938.

Counsel for the respective parties stipulate that the marketable value of the Corporation properties is placed at \$250,000.00 in place of and instead of \$285,996.13 as set forth on the Petitioners Exhibit No. 12.

12:20 Noon. The Court at this time took the regular noon day recess until 1:15 p.m. of this day.

Court Met at 1:15 P.M.

Present: Hon. A. Caminetti, Judge.

F. Roy Davis, Reporter.

Leo D. Rapp, Deputy Clerk.

W. J. Littlefield, Bailiff.

No. 33107

In the Matter of

ST. CLAIR ESTATE COMPANY, a Corporation,  
In the Process of Voluntary Winding Up. [100]

Friday, April 28, 1939.

The above-entitled matter came on regularly at this time today for further hearing upon the petition for partial distribution with the Corporation appearing by its counsel Mortimer A. Kline and Harry Conron, and with the Petitioner Cora M. St. Clair appearing by her counsel Warren E. Libby



and R. Y. Burum, all present in open court.

Cause proceeds as follows, to wit:

A statement showing the values of the assets of the Corporation as of certain dates, offered and received in evidence, marked and filed as Respondent corporations Exhibit B.

Counsel present argument and submit the said motion to modify to the Court for consideration and decision and now after due consideration and being fully advised in both the law and the premises, it is by the Court Ordered that the said motion be and the same is hereby denied;

In re Petition for Partial Distribution, counsel for the respective parties enter into the following stipulation:

“Mr. Kline: Now your Honor, I have the following suggestion to make in the form of a stipulation.

That your Honor make an order authorizing and directing the St. Clair Estate Company to pay to its stockholders the total sum of Twenty-Four thousand Dollars, payable as follows:

One: To Security First National Bank of Los Angeles, Trustee for Cora M. St. Clair, Six thousand dollars;

Two: F. C. St. Clair, Six thousand dollars;

Three: E. S. St. Clair, six thousand dollars;

Four: L. P. St. Clair & L. A. Church & Company, a copartnership as pledgee, six thousand dollars;

Five: It is understood that the foregoing sums shall be charged against said stockholders' accounts on the books of the St. Clair Estate Company and shall be deducted from or withheld from any moneys or property hereafter payable to said stockholders



by the corporation, the St. Clair Estate Company.”

All counsel enter into the above-stipulation and same is reduced to writing and signed by the counsel present.

All counsel being in accord, the Court makes its order in accordance with the above-stipulation. [101]

## EXHIBIT F

In the Superior Court of the State of California,  
In and for the County of Kern

No. 33107

In the Matter of  
ST. CLAIR ESTATE COMPANY, a Corporation,  
In the Process of Voluntary Winding Up.

## ORDER CONSTRUING ORDER OF DISTRIBUTION OF

April 28, 1939

The above-entitled matter came on regularly for hearing upon the petition of Cora M. St. Clair, Leonard St. Clair and Security First National Bank of Los Angeles, California, for the construction by the Court of the former order of April 28, 1939, distributing Twenty-four Thousand Dollars (\$24,000.00) to stockholders of St. Clair Estate Company, Warren E. Libby and Osborn, Burum and Shortridge, by Warren E. Libby and R. Y. Burum, appearing for petitioners, Andrews and Kline, formerly Andrews, Blanche & Kline, by Mortimer A. Kline, and Borton, Petrini, Conron & Borton, by F. E. Borton, appearing for the Corporation, upon the 31st day of August, 1939, before the Honorable

H. S. Gans, Judge of the above-entitled Court, and arguments of Counsel having been heard on the matter and it appearing to the Court that an order was made on April 28, 1939, pursuant to stipulation of Counsel, by Judge A. Caminetti, Jr., that Twenty-four Thousand Dollars (\$24,000.00) be distributed to the stockholders. Six Thousand Dollars (\$6,000.00) to each, without specification as to whether it was to be out of income or capital assets of the corporation; and that pursuant to said order Six Thousand Dollars (\$6,000.00) was paid to the Trustee for Cora St. Clair;

And it further appearing that said money is being held [102] by said Trustee and will not be paid to the said Cora St. Clair until an order is made by this Court construing or modifying said order, so as to designate that said payments were to be made out of income and not from capital assets, and the Court being fully advised in the premises and the same being submitted to the Court,

It Is Hereby Ordered that the order of distribution heretofore made herein on the 28th day of April, 1939, is hereby construed to be a distribution and payment of the sum of Twenty-four Thousand Dollars (\$24,000.00), Six Thousand Dollars (\$6,000.00) to each stockholder, from the income of St. Clair Estate Company, rather than from its capital assets.

Dated: October 13, 1939.

[Seal]        /s/ H. S. GANS,

Judge of Said Superior Court.

[Endorsed]: Filed Oct. 16, 1938, Superior Court.

## Exhibit G

Minutes of Meeting of Board of Directors of St.  
Clair Estate Company Held December 27, 1939

The undersigned being all of the directors of St. Clair Estate Company hereby consent that a special meeting of the directors of said company be held at 11 o'clock a.m. of the 27th day of December, 1939, at the office of the company, 1517 20th Street, Bakersfield, California, for the purpose of reviewing the business and events of the past year and transacting any and all business affecting the company which may come before the meeting, including the declaration and payment as dividends of earnings of the company for the year 1939, hereby waiving all notice of time, place and purpose of meeting and consenting that said meeting may be held and any business affecting the company may be transacted thereat whether or not all directors be present.

Dated: December 27, 1939.

/s/ L. P. ST. CLAIR,

/s/ L. W. LOWELL,

/s/ C. S. CURRAN,

/s/ E. S. ST. CLAIR,

/s/ F. C. ST. CLAIR.

Pursuant to the foregoing consent of all directors, a special meeting of the board of directors of St. Clair Estate Company was held at the office of the

company at Bakersfield, California at the time and place specified in said consent.

Present: Directors L. P. St. Clair, L. W. Lowell, C. S. Curran, E. S. St. Clair and F. C. St. Clair.

President E. S. St. Clair presiding and the following business was transacted: The President reported the progress of the action instituted by [104] Cora St. Clair in the Superior Court of the State of California In and For the County of Kern Against St. Clair Estate Company, a corporation, L. P. St. Clair, E. S. St. Clair, F. C. St. Clair and others, entitled minority stockholders suit; and that concurrently with the filing of said complaint a temporary restraining order was issued and was served enjoining and prohibiting the distribution of any assets of St. Clair Estate Company, including the payment of dividends to stockholders; and that by reason of the pendency of said action and restraining order, the corporation and seventy-five per cent in interest of its stockholders have been enjoined against their will from completing the winding up and dissolution of the St. Clair Estate Company;

The President further stated, and the Board of Directors unanimously agreed, that pursuant to proceedings commenced and then in progress, all of the assets of the Corporation would have been completely distributed to the persons entitled thereto during the year 1938 and the Corporation would have been completely wound up and dissolved save for the filing of said legal proceedings and issuance of said restraining order and injunction.

The President further stated that the tax advisers

had stated that it was probable the St. Clair Estate Company would be held to be a personal holding company, in contemplation of the Revenue Act of 1938; and that under such Act a personal holding company is subject to severe penalties in case of failure to distribute its net income as dividends to its stockholders; and that these penalties amount to sixty-five per cent of the first \$2,000.00 of undistributed net income and seventy-five per cent on the remainder—and that this is in addition to the normal income tax imposed upon such Corporation.

The President further stated that it is estimated the net income for the Company for the year 1939 will be approximately \$23,000.00. Computations were then made of such penalties, computed on net income of \$23,000.00 and the same were found to be in excess of \$15,000.00 in addition to normal income tax computed on said net income. The amount of penalties and tax the President stated, and the Directors unanimously agreed, would in effect confiscate substantially all of the net earnings of the Corporation for the year.

The President further reported that order of court had been secured [105] authorizing a dividend distributing said net earnings for the Company for the year 1939.

A full discussion of the said matters followed, whereupon a motion of Director L. P. St. Clair, seconded by Director F. C. St. Clair, the following resolution was unanimously adopted:

Whereas, the St. Clair Estate Company com-



menced proceedings in the year 1938 for winding up said corporation, and

Whereas, said winding up and dissolution would have been completed save for the fact that action was instituted in the Superior Court of Kern County bearing number 33053 by Cora St. Clair, as plaintiff, against the corporation and its directors as aforesaid wherein and whereby the corporation was enjoined and restrained from the payment and distribution of assets or dividends, and

Whereas, such action is contrary to the express wishes of the owners or holders of seventy-five per cent (75%) of the issued capital stock of St. Clair Estate Company, and

Whereas, it is believed St. Clair Estate Company may be held to be "a personal holding company" within the meaning of that term as set forth in the Revenue Act of 1938, and will suffer heavy penalties unless distribution is made of its net income earned for the calendar year 1939, which is estimated to be \$23,000.00, and

Whereas, it is the express wish and desire of the St. Clair Estate Company and its directors fully to comply with the provisions of said Act and to [106] avoid the imposition of such heavy penalty taxes,

Now Therefore, Be It Resolved: That a dividend, payable forthwith, of \$19.16-2/3 per share on the outstanding stock of the company and aggregating \$23,000.00 be and the same is hereby declared and shall be payable in the year 1939 as follows:



To Security-First National Bank of Los Angeles,  
Trustee for

Cora St. Clair Cooper.....	\$5,750.00
F. C. St. Clair.....	5,750.00
E. S. St. Clair.....	5,750.00
L. P. St. Clair.....	5,750.00

Resolved, Further, that all of the acts of the officers of the company in making expenditures and disbursements, receiving and handling of revenues, the employment of Messrs. Haskins & Sells, certified public accountants for accounting and income tax service and assistance, the engaging of Messrs. Borton, Petrini, Conron & Borton of Bakersfield and Messrs. Andrews and Kline of Los Angeles as attorneys to appear for and on behalf of the corporation, be and the same are hereby all and singular approved, ratified and confirmed; and

Whereas, there is now only approximately \$13,000.00 available for dividend purposes, retaining sufficient money for necessary working capital, and [107]

Whereas, it is necessary to borrow \$10,000.00 in order to pay the earnings for the year 1939 as dividends to the shareholders, and

Whereas, Warren E. Libby, representing Cora St. Clair Cooper and the Security-First National Bank of Los Angeles, Trustee for Cora St. Clair Cooper, has consented that moneys be borrowed in order to effect said dividend payment.

A full discussion of said matter followed, whereupon on motion of Director L. P. St. Clair, and

seconded by Director C. S. Curran, the following resolution was unanimously adopted:

Now, Therefore, Be It Resolved: That this corporation borrow from the Bank of America National Trust & Savings Association at Bakersfield, California, the sum of \$10,000.00, and that the President and Secretary be, and they are hereby authorized in the name of the corporation to execute a promissory note upon such terms as they may deem advisable, and to hypothecate and pledge such stock or other securities of the corporation as may be necessary or required by the Bank of America National Trust & Savings Association to make said loan.

Upon motion duly made and carried, the meeting was adjourned.

F. C. ST. CLAIR,  
Secretary.

E. S. ST. CLAIR,  
President. [108]

Exhibit H

Form 1040—Treasury Dept. Internal Revenue Service

Page 1

United States Individual Income Tax Return—1939

(Auditor's Stamp) and (Cashier's Stamp)—[Blank].

(Name) L. P. St. Clair

Res. 210 South Occidental Boulevard      Office 312 Union Oil Building  
(P.O.) Los Angeles      (County) Los Angeles      (State) California

Income

1. Salaries and other compensation for personal services.  
(From Schedule A) .....\$24,994.15
2. Dividends ..... 13,967.65
- [Items 3 to 9—no data shown]
10. (a) Net short-term gain from sale or ex-  
change of capital assets.....
- (b) Net long-term gain (or loss) from sale or  
exchange of capital assets. (From  
Schedule F) ..... 249.49 Loss
- (c)—[no data shown]
11. Other income (including income from  
annuities) (State nature)..... 2,506.12
12. Total income in items 1 to 11.  
(Enter nontaxable income in Schedule I) ..\$41,218.43

Deductions

13. Contributions paid. (Explain in Sched. H) ..\$ 600.00
14. Interest. (Explain in Schedule H) ..... 7,435.17
15. Taxes. (Explain in Schedule H) ..... 1,256.08
- [Items 16 to 18—no data shown]
19. Total deductions in items 13 to 18..... 9,291.25
20. Net income (item 12 minus item 19).....\$31,927.18

Computation of Tax

21. Net income (item 20 above).....\$31,927.18
22. Less: Personal exemption.  
(From Schedule J-1) .....\$1,250.00
23. Credit for dependents.  
(From Schedule J-2) ..... 1,250.00
24. Balance (surtax net income).....\$30,677.18
25. Less: Interest on Govt. obligations etc.....
26. Earned income credit.  
(From Schedule K-1 or K-2) .....\$1,400.00 1,400.00

27. Balance subject to normal tax.....	\$29,277.18
28. Normal tax (4% of item 27).....	\$ 1,171.09
29. Surtax on item 24. (See Instruction 29).....	3,128.66
30. Total (item 28 plus item 29).....	\$ 4,299.75
31. Total tax (item 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F).....	\$ 4,299.75

[Items 32 and 33—no data shown]

34. Balance of tax (item 31 minus items 32 and 33).....	\$ 4,299.75
---	-------------

Schedule A.—Income Received from Others Consisting of Salaries,  
Wages, Fees, and Other Compensation for Personal Services.

(See Instruction 1)

1. Name and address of employer and nature of income	2. Amount
Union Oil Company of California, Los Angeles.....	\$49,988.30
Less: reported by wife.....	24,994.15
3. Expenses (itemize)	4. Amount
	\$24,994.15

[Schedules B, C, and D—no data shown]

Item 2—Dividends

Union Oil Company of California.....	\$15,956.25
Yosemite Park & Curry Company.....	229.05
St. Clair Estate Company.....	11,750.00
	\$27,935.30

Reported by husband.....	\$13,967.65
Reported by wife.....	13,967.65

Item 10 b Schedule F

Net long term loss from sale of capital assets

101 shares Union Oil Company of California stock.

Bought prior to 1931 Cost.....	\$2,858.77
Sold March 24, 1939 for.....	1,860.80

Loss.....	\$ 997.97
-----------	-----------

Reported by husband.....	\$498.99
Reported by wife.....	498.98

Item 11—Other Income

Union Oil Company of California Provident Fund

Annuity payments received.....\$3,453.96

Reported by husband 72.5578%.....\$2,506.12

Reported by wife 27.4422%.....947.84

Division in accordance with ruling of  
Internal Revenue Agent on 1938 Return

Item 13—Contributions

Los Angeles Community Chest.....\$ 900.00

St. Johns Major Seminary.....300.00

\$1,200.00

Reported by husband.....\$600.00

Reported by wife.....600.00

Item 14—Interest

Interest paid on personal indebtedness.....\$14,870.34

Reported by husband.....\$7,435.17

Reported by wife.....7,435.17

Item 15—Taxes

City and County taxes 1938-39 on vacant lot (2nd half).....\$ 90.20

City and County taxes 1939-40 on house and  
personal property .....775.50

City and County taxes 1939-40 on other property.....33.19

California State Income Tax, 1938.....1,510.34

California State Income Tax, additional 1935.....102.93

\$2,512.16

Reported by husband.....\$1,256.08

Reported by wife.....1,256.08

Personal Holding Company

L. P. St. Clair owns one-quarter of the stock of the St. Clair  
Estate Company, 1517-20th Street, Bakersfield, California

Schedule F.—Gains and Losses From Sales or Exchanges of  
Capital Assets. (See Instruction 10)

Long-Term Capital Gains and Losses—Assets Held More Than 24 Mo.

Loss on sale of 101 shares Union Oil Co. stock

per schedule attached .....\$498.99 \$249.49

Total net long-term capital gain or loss (enter in line 2,

column 3, of summary below).....\$249.49

## Summary of Capital Net Gains or Losses

2. Total net long-term capital gain or loss (enter as item 10(b), page 1, amount of gain or loss shown in column 5)....\*\$249.49    \*\*\$249.49
- \* 3. Net gain or loss to be taken into account from col. 10, above—Loss.
- \*\* 5. Total net gain or loss to be taken into account in columns 2, 3, and 4 of this summary—Loss.

## Computation of Alternative Tax

(To be used only in the case of a net long-term capital gain or loss)

- |  |                        |
|--|------------------------|
| 1. Net income (item 20, page 1). (See Instruction 10).....   | \$31,927.18            |
| 2. (a) Net long-term capital gain.....   |                        |
| (b) Net long-term capital loss (item 10(b), page 1).....   | 249.49                 |
| 3. Ordinary net income (line 1 minus line 2 (a) or line 1 plus line 2 (b)). (See Instruction 10).....  | \$32,176.67            |
| 4. Less: Personal exemption. (From Schedule J-1) .....   | \$1,250.00             |
| 5. Credit for dependents. (From Schedule J-2) .....  | 1,250.00               |
| 6. Balance (surtax net income).....  | \$30,926.67            |
| 7. Less: Interest on Government obligations, etc.....  |                        |
| 8. Earned income credit. (From Schedule K-1 or K-2). (See Inst. 10).....   | \$1,400.00    1,400.00 |
| 9. Balance subject to normal tax.....  | \$29,526.67            |
| 10. Normal tax (4% of line 9).....   | \$ 1,181.07            |
| 11. Surtax on line 6. (See Instruction 29).....  | 3,176.07               |
| 12. Partial tax (line 10 plus line 11).....  | \$ 4,357.14            |
| 13. (a) 30% on net long-term capital gain.....   |                        |
| (b) 30% of net long-term capital loss (30% of line 2(b)) .....   | 74.85                  |
| 14. Alternative tax (line 12 plus line 13(a) or line 12 minus line 13(b)).....   | \$ 4,282.29            |
| 15. Total normal tax and surtax (item 30, page 1).....   | \$ 4,299.75            |
| 16. Tax liability (if a net long-term capital gain, on line 2(a), enter line 14 or line 15, whichever is the lesser; if a net long-term capital loss, on line 2(b), enter line 14 or line 15, whichever is the greater). (Enter as item 31, page 1)..... | \$ 4,299.75            |

[Schedules G, H, and I—no data shown]



Schedule J.—Explanation of Credits Claimed in Items 22 and 23.

(See Instructions 22 and 23)

(1) Personal Exemption

Status	Credit claimed
Married and living with husband or wife—12 months.....	\$2,500.00
Head of family (explain below).....	1,250.00
Less: reported by wife.....	\$1,250.00

[ (2) Credit for Dependents—no data shown ]

Schedule K.—Computation of Earned Income Credit. (See Inst. 26)

[ (1) If your net income is \$3,000 or less—no data shown ]

(2) If your net income is more than \$3,000, use only this part of schedule

Earned net income (not more than \$14,000).....	\$14,000.00
Net income (item 20, page 1).....	31,927.18
Earned income credit (10% of earned net income or 10% of net income, above, whichever amount is smaller, but do not enter less than \$300).....	1,400.00

Questions

1. State your principal occupation or profession.....
2. Check whether you are a citizen (X) or a resident alien (—).
3. If you filed a return for the preceding year, to which Collector's office was it sent? 6th, California.
4. Are items of income or deductions of both husband and wife included in this return? No.
5. State (a) Name of husband or wife if separate return was made  
Annastatia St. Clair.  
(b) Personal exemption, if any, claimed thereon \$1,250.00.  
(c) Collector's office to which it was sent 6th, California.
6. Check whether this return was prepared on the cash (X) or accrual (—) basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 501? (Answer "yes" or "no") yes. (If answer is "yes," attach statement required by Instruction J.)

[Affidavits. (See Instruction E)—no data shown]

## Exhibit I

Form 1040—Treasury Dept. Internal Revenue Service

Page 1

## United States Individual Income Tax Return—1939

(Auditor's Stamp) and (Cashier's Stamp)—[Blank].

(Name) Annastatia St. Clair  
 210 South Occidental Boulevard  
 (P.O.) Los Angeles (County) Los Angeles (State) California

## Income

1. Salaries and other compensation for personal services.  
 (From Schedule A) .....\$24,994.15
2. Dividends ..... 13,967.65

[Items 3 to 9—no data shown]

10. (a) Net short-term gain from sale or exchange of capital assets.....
- (b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule F) ..... 249.49 Loss
- (c)—[no data shown]
11. Other income (including income from annuities) (State nature)..... 947.84

12. Total income in items 1 to 11.  
 (Enter nontaxable income in Schedule I) ..\$39,660.15

## Deductions

13. Contributions paid. (Explain in Sched. H) ..\$ 600.00
14. Interest. (Explain in Schedule H)..... 7,435.17
15. Taxes. (Explain in Schedule H)..... 1,256.08

[Items 16 to 18—no data shown]

19. Total deductions in items 13 to 18..... 9,291.25
20. Net income (item 12 minus item 19).....\$30,368.90

## Computation of Tax

21. Net income (item 20 above).....\$30,368.90
22. Less: Personal exemption.  
 (From Schedule J-1).....\$1,250.00
23. Credit for dependents.  
 (From Schedule J-2)..... 1,250.00
24. Balance (surtax net income).....\$29,118.90
25. Less: Interest on Govt. obligations etc.....
26. Earned income credit.  
 (From Schedule K-1 or K-2).....\$1,400.00 1,400.00

27. Balance subject to normal tax.....	\$27,718.90
28. Normal tax (4% of item 27).....	\$ 1,108.76
29. Surtax on item 24. (See Instruction 29).....	2,832.59
<hr/>	
30. Total (item 28 plus item 29).....	\$ 3,941.35
31. Total tax (item 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F).....	\$ 3,941.35

[Items 32 and 33—no data shown]

34. Balance of tax (item 31 minus items 32 and 33).....	\$ 3,941.35
---	-------------

Schedule A.—Income Received from Others Consisting of Salaries,  
Wages, Fees, and Other Compensation for Personal Services.

(See Instruction 1)

1. Name and address of employer and nature of income	2. Amount
Union Oil Company of California, Los Angeles.....	\$49,988.30
Less: reported by husband.....	24,994.15
3. Expenses (itemize)	4. Amount
	\$24,994.15

[Schedules B, C, and D—no data shown]

Item 2—Dividends

Union Oil Company of California.....	\$15,956.25
Yosemite Park & Curry Company.....	229.05
St. Clair Estate Company.....	11,750.00
<hr/>	
	\$27,935.30
<hr/>	
Reported by husband.....	\$13,967.65
Reported by wife.....	13,967.65

Item 10 b Schedule F

Net long term loss from sale of capital assets	
101 shares Union Oil Company of California stock.	
Bought prior to 1931 Cost.....	\$2,858.77
Sold March 24, 1939 for.....	1,860.80
<hr/>	
Loss.....	\$ 997.97
<hr/>	
Reported by husband.....	\$498.99
Reported by wife.....	498.98

## Item 11—Other Income

## Union Oil Company of California Provident Fund

Annuity payments received.....\$3,453.96

Reported by husband 72.5578%.....\$2,506.12

Reported by wife 27.4422%.....947.8

Division in accordance with ruling of  
Internal Revenue Agent on 1938 Return

## Item 13—Contributions

Los Angeles Community Chest.....\$ 900.00

St. Johns Major Seminary.....300.00

\$1,200.00

Reported by husband.....\$600.00

Reported by wife.....600.00

## Item 14—Interest

Interest paid on personal indebtedness.....\$14,870.34

Reported by husband.....\$7,435.17

Reported by wife.....7,435.17

## Item 15—Taxes

City and County taxes 1938-39 on vacant lot (2nd half).....\$ 90.20

City and County taxes 1939-40 on house and  
personal property .....775.50

City and County taxes 1939-40 on other property.....33.19

California State Income Tax, 1938.....1,510.34

California State Income Tax, additional 1935.....102.93

\$2,512.16

Reported by husband.....\$1,256.08

Reported by wife.....1,256.08

## Personal Holding Company

L. P. St. Clair owns one-quarter of the stock of the St. Clair  
Estate Company, 1517-20th Street, Bakersfield, CaliforniaSchedule F.—Gains and Losses From Sales or Exchanges of  
Capital Assets. (See Instruction 10)

## Long-Term Capital Gains and Losses—Assets Held More Than 24 Mo.

## Loss on sale of 101 shares Union Oil Co. stock

per schedule attached .....\$498.99 \$249.49

## Total net long-term capital gain or loss (enter in line 2,

column 3, of summary below).....\$249.49

Summary of Capital Net Gains or Losses

2. Total net long-term capital gain or loss (enter as item 10(b), page 1, amount of gain or loss shown in column 5).... \*\$249.49 \*\*\$249.49
- \* 3. Net gain or loss to be taken into account from col. 10, above—Loss.
- \*\* 5. Total net gain or loss to be taken into account in columns 2, 3, and 4 of this summary—Loss.

Computation of Alternative Tax

(To be used only in the case of a net long-term capital gain or loss)

- |  |                     |
|--|---------------------|
| 1. Net income (item 20, page 1). (See Instruction 10).....   | \$30,368.90         |
| 2. (a) Net long-term capital gain.....   |                     |
| (b) Net long-term capital loss (item 10(b), page 1).....   | 249.49              |
| 3. Ordinary net income (line 1 minus line 2 (a) or line 1 plus line 2 (b). (See Instruction 10).....   | \$30,618.39         |
| 4. Less: Personal exemption. (From Schedule J-1) .....   | \$1,250.00          |
| 5. Credit for dependents. (From Schedule J-2) .....  | 1,250.00            |
| 6. Balance (surtax net income).....  | \$29,368.39         |
| 7. Less: Interest on Government obligations, etc.....  |                     |
| 8. Earned income credit. (From Schedule K-1 or K-2). (See Inst. 10).....   | \$1,400.00 1,400.00 |
| 9. Balance subject to normal tax.....  | \$27,968.39         |
| 10. Normal tax (4% of line 9).....   | \$ 1,118.74         |
| 11. Surtax on line 6. (See Instruction 29).....  | 2,879.99            |
| 12. Partial tax (line 10 plus line 11).....  | \$ 3,998.73         |
| 13. (a) 30% on net long-term capital gain.....   |                     |
| (b) 30% of net long-term capital loss (30% of line 2(b)) .....   | 74.85               |
| 14. Alternative tax (line 12 plus line 13(a) or line 12 minus line 13(b)).....   | \$ 3,923.88         |
| 15. Total normal tax and surtax (item 30, page 1).....   | \$ 3,941.35         |
| 16. Tax liability (if a net long-term capital gain, on line 2(a), enter line 14 or line 15, whichever is the lesser; if a net long-term capital loss, on line 2(b), enter line 14 or line 15, whichever is the greater). (Enter as item 31, page 1)..... | \$ 3,941.35         |

[Schedules G, H, and I—no data shown]



## Schedule J.—Explanation of Credits Claimed in Items 22 and 23.

(See Instructions 22 and 23)

## (1) Personal Exemption

Status	Credit claimed
Married and living with husband or wife—12 months.....	\$2,500.00
Head of family (explain below).....	1,250.00
Less: reported by husband.....	\$1,250.00

[(2) Credit for Dependents—no data shown]

## Schedule K.—Computation of Earned Income Credit. (See Inst. 26)

[(1) If your net income is \$3,000 or less—no data shown]

(2) If your net income is more than \$3,000, use only this part of schedule

Earned net income (not more than \$14,000).....\$14,000.00

Net income (item 20, page 1).....30,368.90

Earned income credit (10% of earned net income or 10% of  
net income, above, whichever amount is smaller, but do  
not enter less than \$300).....1,400.00

## Questions

1. State your principal occupation or profession.....
2. Check whether you are a citizen (X) or a resident alien (—).
3. If you filed a return for the preceding year, to which Collector's office was it sent? 6th, California.
4. Are items of income or deductions of both husband and wife included in this return? No.
5. State (a) Name of husband or wife if separate return was made  
L. P. St. Clair.  
(b) Personal exemption, if any, claimed thereon \$1,250.00.  
(c) Collector's office to which it was sent 6th, California.
6. Check whether this return was prepared on the cash (X) or accrual (—) basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 501? (Answer "yes" or "no") yes. (If answer is "yes," attach statement required by Instruction J.)

[Affidavits. (See Instruction E)—no data shown]



Exhibit J

In the Superior Court of the State of California  
In and for the County of Kern

No. 33107

In the Matter of  
ST. CLAIR ESTATE COMPANY, a Corporation,  
In the Process of Voluntary Winding Up.

STIPULATION

It Is Hereby Stipulated by and between the parties to the above-entitled action by and through their respective counsel as follows: That the Board of Directors of St. Clair Estate Company and said St. Clair Estate Company be and they are hereby authorized and directed to declare and pay to the stockholders of St. Clair Estate Company as dividends, in the calendar year 1939 amounts up to the net earnings of said corporation for the year 1939 and any temporary restraining order or injunction prohibiting such action may be accordingly modified to permit such action.

Dated this 26th day of December, 1939.

WARREN E. LIBBY,  
OSBORN, BURUM &  
SHORTRIDGE,

By /s/ WARREN E. LIBBY,  
Attorneys for Cora M. St. Clair, Leonard St. Clair  
and Security First National Bank of Los  
Angeles.

BORTON, PETRINI, CONRON  
& BORTON,

ANDREWS & KLINE,

By /s/ MORTIMER KLINE,  
Attorneys for St. Clair  
Estate Company.

It Is So Ordered:

Dated: Dec. 27, 1939.

[Seal] /s/ ROBERT B. LAMBERT,  
Judge of the Superior Court.

Exhibit K

Form 1040—Treasury Dept. Internal Revenue Service Page 11

United States Individual Income and Defense Tax Return—1940

(Auditor's Stamp) and (Cashier's Stamp)—[Blank].

(Name) L. P. St. Clair

Res. 210 South Occidental Boulevard Office: 312 Union Oil Building  
(P.O.) Los Angeles (County) Los Angeles (State) California

Income

1. Salaries and other compensation for personal services.  
(From Schedule A).....\$24,990.00
2. Dividends ..... 10,946.75

[Items 3 through 10—no data shown]

11. Other income (including income from annuities).  
(State nature) ..... 2,506.12

12. Total income in items 1 to 11. (Enter  
nontaxable income in Schedule 1).....\$38,442.87

Deductions

13. Contributions paid. (Explain in Sched. H)..\$ 225.00
14. Interest. (Explain in Schedule II)..... 7,208.64
15. Taxes. (Explain in Schedule H)..... 1,534.77

[Items 16 to 18—no data shown]

19. Total deductions in items 13 to 18..... 8,968.41

20. Net income (item 12 minus item 19).....\$29,474.46

### Computation of Tax

21.	Net income (item 20 above).....	\$29,474.46	
22.	Less: Personal exemption.		
	(From Schedule J-1).....	\$1,000.00	
23.	Credit for dependents.		
	(From Schedule J-2).....		1,000.00
24.	Balance (surtax net income).....	\$28,474.46	
25.	Less: Interest on Govt. obligations, etc.....		
26.	Earned income credit.		
	(From Schedule K-1 or K-2).....	\$1,400.00	1,400.00
27.	Balance subject to normal tax.....	\$27,074.46	
28.	Normal tax (4% of item 27).....	\$ 1,082.98	
29.	Surtax on item 24. (See Instruction 29).....		4,182.34
30.	Total (item 28 plus item 29).....	\$ 5,265.32	
31.	Total income tax (item 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F).....	\$ 5,265.32	
[Items 32 and 33—no data shown]			
34.	Balance of income tax (item 31 minus items 32 and 33).....	\$ 5,265.32	
35.	Defense tax (10% of item 31). (See Instruction 35).....		526.53
36.	Total income and defense taxes due (item 34 plus item 35).....	\$ 5,791.85	

### Schedule A.—Income Received From Others Consisting of Salaries, Wages, Fees, Commissions, Bonuses, and Other Compensation for Personal Services. (See Instruction 1)

1. Name and address of employer	2. Amount	4. Amount
Union Oil Company.....	\$49,980.00	
Less: reported by wife.....	24,990.00	
Total of col. 2 minus total of col. 4 (enter as item 1, page 1)....		\$24,990.00

[Schedules B, C, D, and E—no data shown]

### Item 2—Dividends

Union Oil Company of California.....	\$15,139.00
Yosemite Park & Curry Company.....	254.50
St. Clair Estate Company.....	6,500.00
	<u>\$21,893.50</u>

Reported by husband.....\$10,946.75  
 Reported by wife ..... 10,946.75

## Item 11—Other Items

Union Oil Company of California Provident Fund

Annuity Payments received.....\$3,453.96

Reported by husband 72.5578%..... 2,506.12

Reported by wife 27.4422%..... 947.84

Division in accordance with ruling of  
Federal Internal Revenue Agent

## Item 13—Contributions

Los Angeles Community Chest.....\$450.00

Reported by husband.....\$225.00

Reported by wife..... 225.00

## Item 14—Interest

Interest paid on personal indebtedness.....\$14,417.28

Reported by husband.....\$7,208.64

Reported by wife..... 7,208.64

## Item 15—Taxes

City and County taxes 1940-1941 on home and  
personal property .....\$ 670.79

City and County taxes 1940-1941 on other property..... 96.53

California State Income Tax—1936 additional..... 125.00

1939 ..... 2,177.21

\$3,069.53

Reported by husband.....\$1,534.77

Reported by wife ..... 1,534.76

## Personal Holding Company

L. P. St. Clair owns one-quarter of the stock of the St. Clair  
Estate Company, 1517-20th Street, Bakersfield, California

[Schedules F, G, H, and I—no data shown]

Schedule J.—Explanation of Credits Claimed in Items 22 and 23.

(See Instructions 22 and 23)

Status	Credit claimed
Married and living with husband or wife—12 months.....	\$2,000.00
Head of family (explain below).....	1,000.00
Less: reported by wife.....	1,000.00

[(2) Credit for Dependents—no data shown]

Schedule K.—Computation of Earned Income Credit. (See Inst. 26)

[(1) If your net income is \$3,000 or less—no data shown]

(2) If your net income is more than \$3,000, use only this  
part of schedule

Earned net income (not more than \$14,000).....	\$14,000.00
Net income (item 20, page 1).....	29,474.46
Earned income credit (10% of earned net income or 10% of net income, above, whichever amount is smaller, but do not enter less than \$300).....	1,400.00

Questions

1. State your principal occupation or profession.....
2. Check whether you are a citizen (X) or a resident alien (—).
3. Did you file a return for any prior year? Yes. If so, what was the  
latest year? 1939. To which Collector's office was it sent? 6th,  
California.
4. Are items of income or deductions of both husband and wife in-  
cluded in this return? No.
5. State (a) Name of husband or wife if separate return was made  
Annastatia St. Clair.  
(b) Personal exemption, if any, claimed thereon \$1,000.  
(c) Collector's office to which it was sent 6th, California.
6. Check whether this return was prepared on the cash (X) or ac-  
cruel (—) basis.
7. Did you at any time during your taxable year own directly or indi-  
rectly any stock of a foreign corporation or a personal holding  
company as defined by section 501 of the Internal Revenue Code?  
(Answer "yes" or "no") Yes. (If answer is "yes," attach state-  
ment required by Instruction J.)

Affidavit. (See Instruction E)

I/we swear (or affirm) that this return (including any accompany-  
ing schedules and statements) has been examined by me/us, and to the  
best of my/our knowledge and belief is a true, correct, and complete  
return, made in good faith, for the taxable year stated, pursuant to the  
Internal Revenue Code and the regulations issued under authority  
thereof.

Subscribed and sworn to by L. P. St. Clair before me this.....  
day of March, 1941.

Affidavit. (See Instruction E)

(If this return was prepared for you by some other person the  
following affidavit must be executed)

Subscribed and sworn to before me this..... day of March, 1941.

[Balance of affidavits—no data shown]



Exhibit L

Form 1040—Treasury Dept. Internal Revenue Service Page 1  
 United States Individual Income and Defense Tax Return—1940  
 (Auditor's Stamp) and (Cashier's Stamp)—[Blank].

(Name) Annastatia St. Clair  
 210 South Occidental Boulevard  
 (P.O.) Los Angeles (County) Los Angeles (State) California

Income

- |                                    |  |             |
|------------------------------------|--|-------------|
| 1.                                 | Salaries and other compensation for personal services.<br>(From Schedule A)..... | \$24,990.00 |
| 2.                                 | Dividends .....  | 10,946.75   |
| [Items 3 through 10—no data shown] |  |             |
| 11.                                | Other income (including income from annuities).<br>(State nature) .....          | 947.84      |
| 12.                                | Total income in items 1 to 11. (Enter<br>nontaxable income in Schedule 1).....   | \$36,884.59 |

Deductions

- |                                |   |             |
|--------------------------------|---|-------------|
| 13.                            | Contributions paid. (Explain in Sched. H)..\$ | 225.00      |
| 14.                            | Interest. (Explain in Schedule II).....       | 7,208.64    |
| 15.                            | Taxes. (Explain in Schedule II).....          | 1,534.76    |
| [Items 16 to 18—no data shown] |   |             |
| 19.                            | Total deductions in items 13 to 18.....       | 8,968.40    |
| 20.                            | Net income (item 12 minus item 19).....       | \$27,916.19 |

Computation of Tax

- |     |  |                          |
|-----|--|--------------------------|
| 21. | Net income (item 20 above).....                          | \$27,916.19              |
| 22. | Less: Personal exemption.<br>(From Schedule J-1).....    | \$1,000.00               |
| 23. | Credit for dependents.<br>(From Schedule J-2).....       | 1,000.00                 |
| 24. | Balance (surtax net income).....                         | \$26,916.19              |
| 25. | Less: Interest on Govt. obligations, etc.....            |                          |
| 26. | Earned income credit.<br>(From Schedule K-1 or K-2)..... | \$1,400.00      1,400.00 |
| 27. | Balance subject to normal tax.....                       | \$25,516.19              |
| 28. | Normal tax (4% of item 27).....                          | \$ 1,020.65              |
| 29. | Surtax on item 24. (See Instruction 29).....             | 3,714.86                 |
| 30. | Total (item 28 plus item 29).....                        | \$ 4,735.51              |



31. Total income tax (item 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F).....\$ 4,735.51

[Items 32 and 33—no data shown]

34. Balance of income tax (item 31 minus items 32 and 33)..\$ 4,735.51

35. Defense tax (10% of item 31). (See Instruction 35)..... 473.55

36. Total income and defense taxes due (item 34 plus item 35).....\$ 5,209.06

Schedule A.—Income Received From Others Consisting of Salaries, Wages, Fees, Commissions, Bonuses, and Other Compensation for Personal Services. (See Instruction 1)

1. Name and address of employer	2. Amount	4. Amount
Union Oil Co. of California .....	\$49,980.00	
Less: reported by husband.....	24,990.00	
Total of col. 2 minus total of col. 4 (enter as item 1, page 1)....		\$24,990.00

[Schedules B, C, D, and E—no data shown]

Item 2—Dividends

Union Oil Company of California.....	\$15,139.00
Yosemite Park & Curry Company.....	254.50
St. Clair Estate Company.....	6,500.00
	<u>\$21,893.50</u>

Reported by husband.....\$10,946.75

Reported by wife ..... 10,946.75

Item 11—Other Items

Union Oil Company of California Provident Fund	
Annuity Payments received.....	\$3,453.96

Reported by husband 72.5578%..... 2,506.12

Reported by wife 27.4422%..... 947.84

Division in accordance with ruling of  
Federal Internal Revenue Agent

Item 13—Contributions

Los Angeles Community Chest.....	\$450.00
----------------------------------	----------

Reported by husband.....\$225.00

Reported by wife..... 225.00

Item 14—Interest

Interest paid on personal indebtedness.....	\$14,417.28
---	-------------

Reported by husband.....\$7,208.64

Reported by wife..... 7,208.64

## Item 15—Taxes

City and County taxes 1940-1941 on home and personal property .....	\$ 670.79
City and County taxes 1940-1941 on other property.....	96.53
California State Income Tax—1936 additional.....	125.00
1939 .....	2,177.21
	<hr/>
	\$3,069.53

Reported by husband.....\$1,534.77

Reported by wife ..... 1,534.76

## Personal Holding Company

L. P. St. Clair owns one-quarter of the stock of the St. Clair Estate Company, 1517-20th Street, Bakersfield, California

[Schedules F, G, H, and I—no data shown]

Schedule J.—Explanation of Credits Claimed in Items 22 and 23.  
(See Instructions 22 and 23)

Status	Credit claimed
Married and living with husband or wife—12 months.....	\$2,000.00
Head of family (explain below).....	1,000.00
Less: reported by husband.....	1,000.00

[(2) Credit for Dependents—no data shown]

## Schedule K.—Computation of Earned Income Credit. (See Inst. 26)

[(1) If your net income is \$3,000 or less—no data shown]

(2) If your net income is more than \$3,000, use only this  
part of schedule

Earned net income (not more than \$14,000).....	\$14,000.00
Net income (item 20, page 1).....	27,916.19
Earned income credit (10% of earned net income or 10% of net income, above, whichever amount is smaller, but do not enter less than \$300).....	1,400.00

## Questions

1. State your principal occupation or profession.....
2. Check whether you are a citizen (X) or a resident alien (—).
3. Did you file a return for any prior year? Yes. If so, what was the latest year? 1939. To which Collector's office was it sent? 6th. California.
4. Are items of income or deductions of both husband and wife included in this return? No.
5. State (a) Name of husband or wife if separate return was made  
L. P. St. Clair.  
(b) Personal exemption, if any, claimed thereon \$1,000.  
(c) Collector's office to which it was sent 6th, California.

6. Check whether this return was prepared on the cash (X) or accrual (—) basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 501 of the Internal Revenue Code? (Answer "yes" or "no") Yes. (If answer is "yes," attach statement required by Instruction J.)

Affidavit. (See Instruction E)

I/we swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Internal Revenue Code and the regulations issued under authority thereof.

Subscribed and sworn to by Annastatia St. Clair before me this..... day of March, 1941.

Affidavit. (See Instruction E)

(If this return was prepared for you by some other person the following affidavit must be executed)

Subscribed and sworn to before me this..... day of March, 1941.

[Balance of affidavits—no data shown]

## Exhibit M

### Minutes of Meeting of Board of Directors of St. Clair Estate Company Held June 4, 1940

The undersigned being all of the directors of the St. Clair Estate Company hereby consent that a special meeting of the directors of said company be held at 3:00 p.m. of the 4th day of June, 1940, at the office of the company, 1517 20th Street, Bakersfield, California, for the purpose of transacting any and all business affecting the company which may come before the meeting, including the declaration and payment as dividends of earnings of the company for the year 1940 to date, hereby waiving all time, place and purpose of meeting and consenting that said meeting may be held and any business

affecting the company may be transacted thereat whether or not all directors be present.

Dated: June 4, 1940.

/s/ L. P. ST. CLAIR,

/s/ L. W. LOWELL,

/s/ C. S. CURRAN,

/s/ E. S. ST. CLAIR,

/s/ F. C. ST. CLAIR.

Pursuant to the foregoing consent of all the directors, a special meeting of the board of directors of St. Clair Estate Company was held at the time and place specified in said consent.

Present: Directors L. P. St. Clair, E. S. St. Clair and F. C. St. Clair, and L. W. Lowell.

The president, E. S. St. Clair, stated that it is estimated that the net earnings for the company for the year 1940 to date will be slightly in excess of the sum of \$8000.00, and that an order of court had been secured authorizing a dividend distributing said earnings for the calendar year 1940, amounting to the sum of approximately \$8000.00.

A full discussion of said matter followed, whereupon, on motion [134] of director L. P. St. Clair, seconded by director F. C. St. Clair, the following resolution was unanimously adopted:

Whereas, the St. Clair Estate Company commenced proceedings in the year 1938 for the winding up of said corporation; and

Whereas, said winding up and dissolution would have been completed save for the fact that action was instituted in the Superior Court of Kern County, bearing number 33053 by Cora St. Clair as plaintiff against the corporation and its directors, as aforesaid, wherein and whereby the corporation was enjoined and restrained from the payment and distribution of assets and dividends, and

Whereas, such action is contrary to the express wishes of the owners and holders of seventy-five per cent (75%) of the issued capital stock of the St. Clair Estate Company, and

Whereas, it is believed that the St. Clair Estate Company may be held to be a personal holding company within the meaning of the term as set forth in the Revenue Act of 1938 and amendments, and will suffer heavy penalties unless distribution is made of its net income for the year 1940 which to date is estimated to be approximately \$8000.00; and

Whereas, it is the express wish and desire of the St. Clair Estate Company and its directors fully to comply with the provisions of said act and to avoid the imposition of such heavy penalty taxes,

Now, Therefore, Be It Resolved: That a dividend, payable forthwith, of \$6.66-2/3 per share on the outstanding stock of the company and aggregating the sum of \$8000.00 be, and the same is hereby declared to be payable forthwith in the year 1940, as follows:



To Security-First National Bank of Los Angeles, Trustee for Cora St. Clair Cooper.....	\$2,000.00
F. C. St. Clair.....	2,000.00
E. S. St. Clair.....	2,000.00
L. P. St. Clair.....	2,000.00

Resolved Further, that all acts of the officers of the corporation in making expenditures and disbursements, receiving and handling of revenues, the employment of Messrs. Borton, Petrini, Conron & Borton and Hanna and Morton of Los Angeles, California, as attorneys to appear for and on behalf of the corporation, in the place of Andrews and Kline, be and the same are hereby all and singularly approved, ratified and confirmed; and

Be It Hereby Further Resolved that the verified claim of Borton, Petrini, Conron & Borton for the sum of \$500.00, filed in the Matter of the St. Clair Estate Company dissolution proceedings, No. 33107 in the Superior Court of the County of Kern, covering the services of F. E. Borton rendered the corporation in connection with said voluntary dissolution proceedings prior to the institution of court proceedings to supervise said dissolution, be and the same is hereby approved, ratified and confirmed and, subject to the approval of the court, hereby ordered paid.

Upon motion duly made and carried the meeting was adjourned.

.....,

Secretary.

E. S. ST. CLAIR,  
President. [136]



## Exhibit N

Minutes of Meeting of Board of Directors of  
St. Clair Estate Company Held December 11, 1940

The undersigned, being all of the directors of the St. Clair Estate Company, hereby consent that a special meeting of the directors of said company be held at 1:30 p.m. of the 11th day of December, 1940, at the office of the company, 1517 20th Street, Bakersfield, California, for the purpose of transacting any and all business affecting the company which may come before the meeting, including the declaration and payment as dividends of earnings of the company for the year 1940 to date, hereby waiving all notice of time, place and purpose of meeting and consenting that said meeting may be held and any business affecting the company may be transacted thereat whether or not all directors be present.

Dated: December 11, 1940.

/s/ L. P. ST. CLAIR,

/s/ L. W. LOWELL,

/s/ C. S. CURRAN,

/s/ E. S. ST. CLAIR,

/s/ F. C. ST. CLAIR.

Pursuant to the foregoing consent of all the directors, a special meeting of the board of directors of St. Clair Estate Company was held at the time and place specified in said consent.

Present: Directors L. P. St. Clair, E. S. St. Clair, F. C. St. Clair.

The president, E. S. St. Clair, then stated that it is estimated that the net earnings for the company for the year 1940 to date will be in the amount of \$22,000.00; that dividends in the sum total of \$12,000.00 had heretofore been paid to the shareholders of record out of the earnings of the [137] corporation for the present year, 1940, and that an order of court has been secured authorizing and directing a further dividend distribution from said earnings for the calendar year 1940 in the sum of \$10,000.00 in all, which to date is estimated to be approximately \$22,000.00.

A full discussion of said matter followed, whereupon on motion of director...., seconded by director...., the following resolution was unanimously adopted:

Whereas, the St. Clair Estate Company commenced proceedings in the year 1938 for the winding up of said corporation; and

Whereas, said winding up and dissolution would have been completed save for the fact that action was instituted in the superior court of Kern County, bearing number 33053 by Cora St. Clair as plaintiff against the corporation and its directors, as aforesaid, wherein and whereby the corporation was enjoined and restrained from the payment and distribution of assets and dividends; and

Whereas, such action is contrary to the express wishes of the owners and holders of seventy-five

per cent (75%) of the issued capital stock of the St. Clair Estate Company; and

Whereas, it is believed that the St. Clair Estate Company may be held to be a personal holding Company within the meaning of the term as set forth in the Revenue Act of 1938 and amendments, and will suffer heavy penalties unless distribution is made of its net income for the year 1940 which to date is estimated to be approximately \$22,000.00; and

Whereas, it is the express wish and desire of the St. Clair Estate Company and its directors fully to comply with the provisions of said act and to avoid the [138] imposition of such heavy penalty taxes.

Now, Therefore, Be It Resolved; That a dividend, payable forthwith, of \$8.33-1/3 per share on the outstanding stock of the company and aggregating the sum of \$10,000.00 be, and the same is hereby declared to be payable forthwith in the year 1940, as follows:

To Security-First National Bank of Los Angeles,	
Trustee for Cora St. Clair Cooper.....	\$2,500.00
F. C. St. Clair.....	2,500.00
E. S. St. Clair.....	2,500.00
L. P. St. Clair.....	2,500.00

No further business coming before the meeting, upon motion duly made and carried the meeting was adjourned.

F. C. ST. CLAIR,  
Secretary.

E. S. ST. CLAIR,  
President. [139]

## Exhibit O

Minutes of Meeting of Board of Directors of  
St. Clair Estate Company Held December 26, 1940

The undersigned, being all of the directors of the St. Clair Estate Company, hereby consent that a special meeting of the directors of said company be held at 4:00 p.m. of the 26th day of December, 1940, at the office of the company, 1517 20th Street, Bakersfield, California, for the purpose of transacting any and all business affecting the company which may come before the meeting, including the declaration and payment as dividends of earnings of the company for the year 1940 to date, hereby waiving all notice of time, place and purpose of meeting and consenting that said meeting may be held and any business affecting the company may be transacted thereat whether or not all directors be present.

Dated: December 26, 1940.

/s/ L. P. ST. CLAIR,

/s/ L. W. LOWELL,

/s/ C. S. CURRAN,

/s/ E. S. ST. CLAIR,

/s/ F. C. ST. CLAIR.

Pursuant to the foregoing consent of all the directors, a special meeting of the board of directors of St. Clair Estate Company was held at the principal office of the corporation, 1517 20th Street, Bak-

ersfield, California, on December 26, 1940, at the hour of 4:00 p.m. of said day.

Present: Directors L. W. Lowell, C. S. Curran, E. S. St. Clair and F. C. St. Clair. [140]

President E. S. St. Clair presiding and the following business was transacted: The President stated that further and additional income had accrued to the corporation in the sum of \$4,000.00; that said income had not been considered in determining the income of this corporation as referred to in the minutes of the last preceding meeting of this Board of Directors; and the President further stated that it was proper and to the best interests of this corporation and its shareholders that a dividend be declared on the outstanding shares of the capital stock of this corporation and that said further income, to wit, the sum of \$4,000.00 be distributed to the shareholders of this corporation entitled to receive dividends, and that an order has been issued out of the Superior Court of the State of California in and for the County of Kern authorizing and directing a dividend payment equivalent to said sum.

A Full discussion of the said matter followed, whereupon on motion of director...., seconded by director...., the following resolution was unanimously adopted:

Whereas, this corporation has received further and additional income in the sum of \$4,000.00; and

Whereas, it is to the best interests of this corporation and its shareholders that said income be dis-



tributed as dividends to the shareholders of this corporation entitled thereto; and

Whereas, an order has been issued out of the Superior Court of the State of California in and for the County of Kern, authorizing and ordering a dividend payment equivalent to said sum;

Now, Therefore, Be It Resolved: That a dividend of \$3.33-1/3 per share be, and the same is hereby declared to be immediately payable on the outstanding shares of the capital stock of this corporation to those shareholders of record as of the date hereof. [141]

No further business coming before the meeting, upon motion duly made, seconded and carried, the meeting was adjourned.

F. C. ST. CLAIR,  
Secretary.

E. S. ST. CLAIR,  
President. [142]

### Exhibit P

In the Superior Court of the State of California,  
in and for the County of Kern

No. 33107

In the Matter of  
St. Clair Estate Company, a Corporation

It is hereby stipulated that the hearings on the Motions now calendared for June 6, 1940, at 10 A. M. be and the same may be continued until July 16, 1940, at 10 A. M., and it is hereby further stipu-



lated that the above entitled Court may forthwith order and direct the payment of a dividend to the shareholders of record of said corporation as of June 4, 1940, of the sum of 6.66c per share, out of the earnings of 1940.

ANDREWS & KLINE,  
BORTON, PETRINI, CONRON  
& BORTON,

By /s/ HARRY M. CONRON,  
Attorneys for St. Clair Estate Company, L. P., E. S.  
and F. C. St. Clair.

WARREN E. LIBBY,  
OSBORN, BURUM &  
SHORTRIDGE,

By /s/ JOHN SHORTRIDGE,  
Attorneys for Petitioner Cora M. St. Clair, Security-  
First National Bank of Los Angeles, and Leon-  
ard St. Clair.

It is so ordered in accordance with the above stipulation.

Dated: June 4th, 1940.

[Seal]     /s/ WARREN STOCKTON,  
Judge of the Superior Court.

[Endorsed]: Filed June 4, 1940, Superior Court.

## Exhibit Q

Minutes Superior Court, Dept. 1, No. 127

Thursday, October 3, 1940

Court met at 1:00 P. M.

Present: Hon. H. S. Gans, Judge  
W. V. Freeman, Deputy Clerk  
Al Renfro, Bailiff  
Roy Davis, Reporter

No. 33107

In the Matter of  
St. Clair Estate Company, a Corporation,  
In the Process of Voluntary Winding Up

The above entitled matter came on regularly at this time today for hearing upon Fifth Petition for Partial Distribution of assets and Petition for Distribution of Dividends, with the petitioners appearing by their counsel Warren E. Libby, R. Y. Burum and John Shortridge, and St. Clair Estate Company appearing by their counsel Harry M. Conron and Jim McRoberts, present in open Court.

Upon oral stipulation by and between counsel for respective parties in open Court, it is by the Court Ordered that a dividend in the sum of Four Thousand Dollars (\$4,000.00) be paid forthwith out of the St. Clair Estate Company income on hand, in accordance with the written decree to be prepared and signed by the Court.

It is further by the Court Ordered that the above entitled matter be, and the same is hereby trans-

ferred to Department 2 of this Court for further hearing.

R. J. VEON,  
County Clerk and Ex-Officio  
Clerk Superior Court. [144]

State of California  
County of Kern—ss.

I, R. J. Veon, County Clerk and ex-officio Clerk of the Superior Court, do hereby certify the foregoing to be a full, true and correct copy of the original Minute Order on file in my office and that I have carefully compared the same with the original.

Witness my hand seal of the Superior Court this 9th day of February, 1945.

[Seal] R. J. VEON,  
County Clerk and Ex-Officio  
Clerk, Superior Court.

By L. REAGAN,  
Deputy Clerk. [145]

## Exhibit R

In the Superior Court of the State of California,  
in and for the County of Kern

No. 33107

In the Matter of  
St. Clair Estate Company, a Corporation,  
In the Process of Voluntary Winding Up

It Is Hereby Stipulated That the above court may forthwith order and direct the payment of a dividend to the shareholders of record of the St. Clair Estate Company, a corporation, as of December 12, 1940, of the sum of \$3.88 $\frac{1}{3}$ c per share, totaling \$10,000.00, in all, said dividend to be paid out of the earnings of the above corporation for the year 1940 solely.

BORTON, PETRINI, CONRON  
& BORTON,

HANNA AND MORTON

By /s/ JAMES M. McROBERTS,  
Attorneys for St. Clair Estate Company, L. P., E. S.  
and F. C. St. Clair.

WARREN E. LIBBY,  
OSBORN, BURUM &  
SHORTRIDGE,

By /s/ WARREN E. LIBBY,  
Attorneys for Petitioner Cora M. St. Clair, Security-  
First National Bank of Los Angeles, and Leon-  
ard St. Clair.

Payment of the foregoing dividend is ordered in accordance with the terms and provisions of the within stipulation.

Dated: December 11, 1940.

[Seal]      /s/ [Illegible]

Judge of the Superior Court.

[Endorsed]: Filed Dec. 11, 1940, Superior Court.

Exhibit S

In the Superior Court of the State of California,  
in and for the County of Kern

No. 33107

In the Matter of

St. Clair Estate Company, a Corporation,

In the Process of Voluntary Winding Up

STIPULATION

It appearing that the St. Clair Estate Company has received further and additional income in the sum of \$4,000.00, and that such sum should properly be distributed to the shareholders of said corporation entitled thereto;

It Is Stipulated that the said St. Clair Estate Company shall forthwith pay a further dividend on the outstanding shares of the capital stock of said St. Clair Estate Company in the sum of \$3.33 $\frac{1}{3}$  per share, payable solely out of and from income that has accrued to the said corporation for the

calendar year 1940 and that is now available for said purpose.

Dated: December 26, 1940.

WARREN E. LIBBY AND  
OSBORN, BURUM &  
SHORTRIDGE,

By /s/ R. Y. BURUM,  
Attorneys for Petitioners.

HANNA AND MORTON,  
BORTON, PETRINI, CONRON  
BORTON,

By /s/ HARRY M. CONRON,  
Attorneys for St. Clair Estate  
Company, et al.

It Is So Ordered.

[Seal]      /s/ WARREN STOCKTON,  
Judge.

[Endorsed]: Filed Dec. 26, 1940, Superior Court.



Exhibit U

In the Superior Court of the State of California,  
in and for the County of Kern

No. 33107

In the Matter of  
St. Clair Estate Company, a Corporation,  
In the Process of Voluntary Winding Up

ORDER

The Petition of St. Clair Estate Company, a corporation, for Order Distributing Assets of Corporation in Final Liquidation having come on regularly for hearing in Department 2 of the above entitled Court on the 27th day of December, 1948, the Honorable Robert B. Lambert, Judge Presiding, Messrs. Hanna and Morton, Borton, Petrini, Conron and Borton, by James M. McRoberts, appearing for the Petitioner, and no counsel appearing for any stockholder; and it further appearing that notice of said hearing had been duly given to all stockholders within the time and in the manner prescribed by law; and the Court being fully advised,

It Is Ordered, Adjudged and Decreed that the Petition for Order Distributing Assets of Corporation in Final Liquidation, filed herein by the above named corporation, to wit: St. Clair Estate Company, a corporation, and the plan of distribution of assets [170] to the corporation's stockholders in final liquidation be and the same hereby are approved.

It Is Further Ordered, Adjudged and Decreed that said corporation shall, not later than December 31, 1948, sell, transfer, assign and set over to L. P. St. Clair, F. C. St. Clair, E. S. St. Clair, and to Security-First National Bank of Los Angeles, Trustee (under its private trust No. 70-217 for Cora St. Clair, sometimes referred to as Cora St. Clair Cooper), and each of them, from earnings and surplus, not less than \$26,000.00, cash, or book value of other assets hereinbelow listed, and between March 5, 1949, and April 5, 1949, said corporation shall distribute \$36,500.00, cash, or book value of other assets hereinbelow listed as a deficiency dividend for the calendar year 1938, pursuant to Section 506(c) of the Internal Revenue Code; and it appearing that an examination of the corporation's federal income and personal holding company returns for the years 1941 to 1947, inclusive, has been made but no report thereof has yet been served on this corporation, and that as a consequence thereof there may be a liability for federal personal holding company surtax for said years which can be avoided in whole or in part by properly scheduled distributions of the remaining assets of the corporation.

It Is Further Ordered, Adjudged and Decreed that if after receipt by this corporation of the report of said examination it is finally determined that there is no deficiency of federal personal holding company surtax, then all of the assets remaining after the distributions hereinabove ordered shall be distributed to the shareholders forthwith. However, if after receipt of the report of said federal

revenue agent's examination it is finally determined that a deficiency of federal personal holding company surtax is proposed for any of said years, 1941 to 1947, inclusive, [171] then it is ordered, adjudged and decreed that the assets remaining after the distributions hereinabove ordered shall be distributed at such times and in such amounts as may be necessary to qualify said distributions as deficiency dividends within the meaning of Section 506(c) of the Internal Revenue Code.

The following described cash, securities, oil leases, real estate or interest in leases or real estate, mining deeds, or mineral rights shall be distributed as hereinabove ordered and with the divisions hereinafter specified, to wit:

1. From the cash on hand after payment of all obligations, there should be paid to L. P. St. Clair, E. S. St. Clair, and to F. C. St. Clair, each, the sum of \$4,500.00, and thereafter all cash shall be distributed in four equal parts to L. P. St. Clair, E. S. St. Clair, F. C. St. Clair, and to Security-First National Bank of Los Angeles, Trustee.

2. 200 shares of common stock of Bakersfield Laundry Association, one-fourth to be distributed to each of the four stockholders.

3. 93.46 shares of common stock of Bakersfield Sandstone Brick Company, one-fourth to be distributed to each of the four stockholders.

4. 700 shares of common stock of Bank of America, one-fourth to be distributed to each of the four stockholders.

5. 250 shares of 7% cumulative preferred stock of Sun Maid Raisin Growers Association, to be distributed one-fourth to each of the four stockholders.

6. 45 shares of common stock of San Joaquin Cotton Compress and Warehouse, to be distributed one-fourth to each of the four stockholders.

7. 1,025 shares Class A preferred stock of Bakersfield B.P.O.E., to be distributed one-fourth to each of the four stockholders. [172]

8. 6,931 shares of common capital stock of Union Oil Company and Union Oil Associates, being 1,165 and 5,766 shares, respectively, to be distributed one-fourth to each of the four stockholders.

9. 2,200 shares of Shell Union Oil Company stock, to be distributed one-fourth to each of the four stockholders.

10. 356 shares of 6% preferred stock of Southern California Gas Company stock, to be distributed one-fourth to each of the four stockholders.

11. 100 acres in the South Belridge Oil District, Kern County, California, now under lease to General Petroleum Corporation for oil and gas development, the title to said real property, together with Lessor's interest to the said oil and gas lease, to be distributed on the basis of an undivided one-fourth interest to each of the four stockholders. Said real estate is described as follows:

East one-half (E  $\frac{1}{2}$ ) of the East one-half (E  $\frac{1}{2}$ ) of the Northeast one-quarter (NE  $\frac{1}{4}$ ) Section 2—

Township 29, Range 21 East, M.D.B. & M., together with the West sixty (W 60) acres of the Northwest quarter (NW  $\frac{1}{4}$ )—Section 1—Township 29, Range 21 East, M.D.B. & M.

12. 480 acres, more or less, in Section 20, Township 28, Range 24 East, M.D.B. & M., to be distributed to the four stockholders on the basis of an undivided one-fourth interest each.

13. A one-eighth interest in 70 acres, including mineral rights, located in Section 6, Township 11, Range 23 East, M.D.B. & M., more particularly described as follows:

South one-half (S  $\frac{1}{2}$ ) of the Northeast quarter (NE  $\frac{1}{4}$ ) of the Southeast quarter (SE  $\frac{1}{4}$ )—the Northwest quarter (NW  $\frac{1}{4}$ ) of the Southeast quarter (SE  $\frac{1}{4}$ )—the South 466.7 feet of the West 466.7 feet of the Southeast quarter (SE  $\frac{1}{4}$ ) of the Northeast quarter (NE  $\frac{1}{4}$ )—the [173] North 467.3 feet of the West 467.3 feet of the Southeast quarter (SE  $\frac{1}{4}$ ) of the Southeast quarter (SE  $\frac{1}{4}$ ) Section 6—Township 11, Range 23 East, M.D.B. & M., to be distributed on the basis of an undivided one-fourth interest to each of the four stockholders.

14. An interest in Lot 5, Gardena Tract, Los Angeles County, to be distributed on the basis of an undivided one-fourth interest to each of the four stockholders.

15. A one-half interest in the mining rights under a 100-acre parcel in Section 28, Township 30 South, Range 27 East, M.D.B. & M., heretofore sold by the corporation with a reservation of such fifty



per cent of all oil or mineral rights, to be distributed on the basis of an undivided one-fourth interest to each of the four stockholders.

16. An undivided ten-twenty-fourths interest in the Wilkinson Placer Claim, Lowell Hill Mining District, Nevada County, California, to be distributed on the basis of an undivided one-fourth interest to each of the four stockholders.

17. An undivided five-ninths interest in the Wildcat Placer Claim, Lowell Hill Mining District, Nevada County, California, to be distributed on the basis of an undivided one-fourth interest to each of the four stockholders.

18. An undivided one-fourth interest to each of the four stockholders in the Live Oak Placer Claim, being a fraction of Lot 52, Section 35, Township 16, Range 10 East.

19. A receivable from Cora St. Clair and Leonard St. Clair amounting to \$13,700.00, to be distributed on the basis of an undivided one-fourth interest to each of the four stockholders.

20. A judgment against Cora St. Clair Cooper purchased by the corporation for \$2,764.35, being the judgment recovered in a certain action in the superior Court of the State of [174] California, in and for the County of Alameda, entitled Frank Mitchell, Jr., v. Cora St. Clair Cooper, etc., No. 47335, to be distributed on the basis of an undivided one-fourth interest to each of the four stockholders.



21. Note of Cora St. Clair Cooper in the principal sum of \$2,750.00, to be distributed on the basis of an undivided one-fourth interest to each of the four stockholders.

22. An undivided one-fourth interest to each of the four stockholders in a claim for refund after the collection thereof of federal personal holding company surtax in the principal sum of \$8,318.77, representing the sum paid by the corporation to the Collector of Internal Revenue as and for a deficiency of personal holding company surtax for the year 1938.

23. All the rest, residue and remainder of all the assets of St. Clair Estate Company, now known or hereafter discovered is hereby ordered distributed, and is hereby distributed, an undivided one-fourth to each of the following: L. P. St. Clair, F. C. St. Clair, E. S. St. Clair, and Security-First National Bank of Los Angeles, Trustee (under its private trust No. 70-217) for Cora St. Clair, sometimes referred to as Cora St. Clair Cooper.

Dated: December 30, 1948.

[Seal]      /s/ R. B. LAMBERT,  
Judge.

[Endorsed]: Filed Dec. 30, 1948, Superior Court.

## Exhibit V

	Date of Dis- tribution	Value on Date of Dis- tribution
(1) (a) \$4,500 cash to each :		
L. P. St. Clair.....	8-12-49	4,500.00
E. S. St. Clair.....	8-12-49	4,500.00
F. C. St. Clair.....	8-12-49	4,500.00
(b) Bal. of cash equally to :		
	12-31-48 3-28-49 11-21-49	
L. P. St. Clair.....	2,500.00 2,500.00 5,000.00	10,000.00
E. S. St. Clair.....	2,500.00 2,500.00 5,000.00	10,000.00
F. C. St. Clair.....	2,500.00 2,500.00 5,000.00	10,000.00
Sec. 1st Natl. Bk.....	2,500.00 2,500.00 5,000.00	10,000.00
(2) 200 sh. Bakersfield Laundry Assn.....	12-31-48	50,000.00
(3) 93.46 sh. Bakersfield Sandstone Brick		
@ \$200 ea.....	8-12-49	18,692.00
(4) 700 sh. Bank of America @ \$42½.....	8-12-49	29,750.00
(5) 5 sh. Sunmaid Raisin Pfd.....	9-29-49	—0—
(6) 45 sh. San Joaquin Cotton Compress		
@ \$170 ea.....	8-22-49	7,850.00
(7) 1025 sh. Bakersfield BPOE.....	8-22-49	256.00
(8) 6931 sh. Union Oil Co. @ \$29¾ each.....	9-29-49	206,197.25
(9) 2200 sh. Shell Union Oil Co. @ \$35⅝ ea.....	4-15-49	78,375.00
(10) 356 sh. Southern Calif. Gas Pfd. @ \$35¼ ea.....	8-12-49	12,549.00
(11) (a) Fee of 100 acres being E½ of the E½ of the NE¼, Sec. 2, T 29, R 21 E, etc.		
@ \$35/acre .....	9-29-49	3,500.00
(b) Lease to General Petroleum covering (a)		10,200.00
(12) 480 acres Sec. 20, T 28, R 24 E.....	9-29-49	4,800.00
(13) ⅛ int. in 70 acres, being S½, NE¼, SE¼, NW of SW¼ in Sec. 6, T 11, R 23 E.....	9-29-49	2,500.00
(14) Lot 5 of the Gardena Tract.....	8-22-49	500.00
(15) One-half int. in mineral rights of 100 acre parcel.....	8-22-49	500.00
(16) Wilkinson Placer Claim.....	9-29-49	—0—
(17) Wildeat Placer Claim.....	9-29-49	—0—
(18) Live Oak Placer Claim.....	9-29-49	—0—
(19) Receivable from Cora St. Clair and Leonard St. Clair of \$13,700.00.....	8-22-49	—0—
(20) Judgment against Cora St. Clair for \$2,764.35 .....	8-22-49	—0—
(21) Note of Cora St. Clair for \$2,750.00.....	8-22-49	—0—
(22) See cash above.		
(23) Rest, residue and remainder mineral interest on 80 acres.....	9-29-49	500.00
Total.....		\$479,669.2

## Exhibit W

Minutes of Meeting of Shareholders of St. Clair  
Estate Company

(Held December 23, 1938)

Pursuant to call by the President, and to written notice given to and served upon each of the stockholders in all respects as required by law, and by the By-laws of the Company, a meeting of the stockholders of St. Clair Estate Company was held at the office of the Company, 1517 20th Street, in the City of Bakersfield, Kern County, California, on Friday, December 23rd, 1938, at 10 o'clock a.m.

The meeting was called to order by the President, E. S. St. Clair, who stated the purpose of the meeting as set forth in the notice thereof given to the stockholders.

The Secretary reported that notice had been personally served upon each of the stockholders of the company within the time and in the manner as provided by the By-laws of the Company.

There were present at the meeting in person:

E. S. St. Clair, holding 300 shares;

E. C. St. Clair, holding 300 shares;

L. P. St. Clair, holding 60 shares;

There were represented at the meeting by proxy:

L. A. Church & Company, a co-partnership, as  
pledgee of L. P. St. Clair, by proxy in favor of  
L. P. St. Clair, representing 240 shares; .....

..... by proxy in favor of .....

..... representing ..... shares.

Total represented in person 660 shares;

Total represented by proxy 240 shares;

Total amount of stock represented at the meeting 900 shares. [177]

The President thereupon reported that 900 shares, being more than a majority of all of the subscribed, issued or outstanding shares of stock of the company, were represented at the meeting, and the meeting was competent for the transaction of the business for which it had been called.

The President reported that an examination of the books and records of the St. Clair Estate Company had been made by Haskins & Sells, Certified Public Accountants, and presented to the meeting of the stockholders, financial statements and reports prepared by said Accountants covering in particular the period from February 1, 1929, up to and including December 6, 1938, and certain matters of interest prior thereto.

The President also reported that the said financial statements and reports prepared by said Accounts had at the meeting of directors held immediately preceding this meeting of stockholders, been considered and approved by resolution of the directors, and further, that the acts of the officers in connection with the transactions shown in said financial statements and reports prepared by said Accountants, had all and singular been ratified, confirmed and approved by resolution of the Board of Directors, and presented to the stockholders the minutes

of the meeting of the board of directors held immediately preceding this meeting of stockholders.

Thereupon the stockholders made examination of said financial statements and reports, and also of the minutes of the meeting of the Board of Directors held at the office of the company on December 23, 1938, immediately preceding this meeting of stockholders.

Whereupon, on motion of L. P. St. Clair seconded by F. C. St. Clair and unanimously adopted, it was resolved that said financial statements and reports prepared by the accountants be in all respects approved and confirmed, and further, that the acts of the officers of the company, and of the directors as set forth in said financial statements and said report, and as set forth in the minutes of said meeting of the Board of Directors held immediately preceding this meeting of stockholders, be all and singular thereof hereby ratified, confirmed and approved.

The President reported that there had been filed with the corporation [178] the written assent of the shareholders of said corporation representing a majority of the voting power thereof amending Article I of the By-laws of St. Clair Estate Company, by deleting therefrom the words "who shall be stockholders holding one or more shares of stock in their own names upon the books of the corporation."

Whereupon, upon motion of F. C. St. Clair seconded by L. P. St. Clair and unanimously adopted



it was resolved that in pursuance of said written assent of shareholders Article I of the By-laws of St. Clair Estate Company upon said amendment shall be as follows:

“Article I. Corporate Powers: The Corporate powers of this corporation shall be vested in a board of five (5) directors, and three (3) shall constitute a quorum for the transaction of business.”

The President stated that one of the purposes for which the meeting was called was the election of a board of five (5) directors, to hold office until the next annual meeting, and until their successors, respectively, shall be elected and qualified.

The President called for nominations for the office of director. Thereupon E. S. St. Clair, F. C. St. Clair, L. W. Lowell, C. S. Curran and L. P. St. Clair were presented in nomination for the offices of directors of St. Clair Estate Company.

There being no other nominations, on motion seconded and unanimously carried, the nominations were closed and the Secretary was instructed to cast the ballot of, and on behalf of, all stock represented at the meeting, for and in favor of the election of said nominees as directors of St. Clair Estate Company.

Thereupon the Secretary cast the ballot and announced that the unanimous ballot representing 900 shares of the capital stock of St. Clair Estate Company, out of a total of 1200 shares of issued and outstanding stock of said company, being more than a majority thereof, had been cast for and in favor



of E. S. St. Clair, F. C. St. Clair, L. W. Lowell, C. S. Curran and L. P. St. Clair, as directors. [179]

The President thereupon declared that said last named persons had been duly elected directors of St. Clair Estate Company.

L. P. St. Clair, a stockholder of St. Clair Estate Company, presented the following resolutions and moved their adoption, to wit:

“Whereas, it is deemed advisable and for the best interests of the shareholders of St. Clair Estate Company that it wind up its affairs and voluntarily dissolve,

“Now, Therefore, Be It Resolved, that this corporation and its shareholders, representing more than a majority of the voting power of said corporation, hereby elect to wind up the affairs of the corporation and voluntarily dissolve.

“Resolved, Further, that the officers or directors of this corporation be and they hereby are authorized and directed to file the certificate and give the written notice required by Sections 400 and 400a, respectively, of the Civil Code of California;

“Resolved, Further, that the officers and directors of this corporation be, and they hereby are authorized and directed to take such further action, steps and proceedings as may be necessary or as they deem desirable, to wind up the affairs of this corporation and to dissolve it, and to equitably and ratably distribute its net assets among its stockholders, and may institute in the name of the corporation, or otherwise, such legal proceedings as

they may deem advisable in connection with such dissolution proceedings, and may employ attorneys and incur expenses in connection therewith.

“Resolved, Further, that this corporation cease to carry on business except to such extent as may be necessary for the beneficial winding up thereof.”

The motion for the adoption of said resolutions was seconded by F. C. St. Clair, a stockholder, and being put to a vote the same were adopted by the affirmative vote of 900 shares (out of a total of 1200 shares of the [180] issued stock and outstanding stock of said company), being and representing more than a majority of the total voting power of said corporation.

The President reported that there had been filed with the corporation written consent of shareholders of St. Clair Estate Company to voluntarily dissolve, which written consent was signed by shareholders constituting in the aggregate the shareholders of said corporation representing a majority of the voting power thereof.

F. C. St. Clair, a stockholder of St. Clair Estate Company, presented the following resolutions and moved their adoption, to wit:

“Whereas, the President has reported that except for minor current accounts payable not to exceed the sum of One Hundred Dollars (\$100.00) and the action pending in the Superior Court of the State of California (Los Angeles County No. 425-810), in which Cora St. Clair is plaintiff and St. Clair Estate Company, et al., defendants, in which action

the sum of \$4,500.00 is in issue, the corporation has no known debts or liabilities, and

Whereas, the corporation desires, after adequately providing for all possible debts and liabilities, to distribute all the remaining corporate assets among the shareholders in accordance with their respective rights,

Now, Therefore, Be It Resolved, that the following plan of distribution of the assets of the company between and among the stockholders be adopted:

(1) All assets of the company of every kind and character available for distribution be distributed between and among the stockholders of the corporation—

(a) All of said assets, except the sum of \$5,000.00 (of the earned surplus of the company), shall forthwith be distributed to stockholders as their respective interests may appear.

(b) The sum of \$5,000.00 of the earned surplus of the [181] company (in cash or securities having a current market value in said sum) shall be temporarily retained for the purpose of providing for the payment of costs and expenses of liquidation and dissolution, and any other debts or liabilities of the company, and also for costs and attorneys fees incurred in connection with any litigation instituted against the company. Forthwith upon the liquidation of all debts and liabilities of the corporation the said sum or residue thereof, shall be equally and ratably distributed among the stockholders of the company.

(2) Shares, obligations, or securities of any other corporation shall be equally and ratably distributed between and among the stockholders of the company.

(3) Notes payable of Cora St. Clair (Cooper) to the company, aggregating \$2,750.00, shall be distributed to Security-First National Bank of Los Angeles, as Trustee for Cora St. Clair (Cooper) under Trust No. 70-217, as a portion of its distributive share as such trustee.

(4) Real property, leases, placer or mining claims, by good and sufficient instruments of conveyance, shall be conveyed by the corporation to the stockholders, vesting title in the stockholders as tenants in common, as follows:

E. S. St. Clair, undivided  $\frac{1}{4}$  interest;

F. C. St. Clair, undivided  $\frac{1}{4}$  interest;

Security-First National Bank of Los Angeles, as Trustee for Cora St. Clair (Cooper) under Trust No. 70-217 undivided  $\frac{1}{4}$  interest;

L. A. Church & Company, a co-partnership, as pledgee for L. P. St. Clair undivided  $\frac{1}{5}$  interest;

L. P. St. Clair undivided  $\frac{1}{20}$  interest;

such conveyance to be subject to encumbrances, conditions, restrictions and covenants of record, taxes for fiscal year 1938-39;

(5) The President, or Vice-President and Secretary of this [182] corporation are hereby authorized to execute and deliver on behalf of this corporation and in its name, instruments of conveyance to said stockholders, in conformity herewith.

(6) Distribution hereunder is in complete satisfaction of the rights of all stockholders and upon such distribution all certificates of stock standing in the names of the stockholders shall be delivered to the corporation and cancelled.

The motion for the adoption of said resolutions was seconded by L. P. St. Clair a stockholder and being put to a vote the same was adopted by the affirmative vote of 900 shares (out of a total of 1200 shares of the issued and outstanding stock of the Company) being and representing more than two-thirds of the shares of stock of said corporation.

On motion duly seconded and unanimously carried the meeting was adjourned to and until, and to reconvene at one o'clock p.m., of Wednesday, the 28th day of December, 1938, at the office of the company, 1517 20th Street, in the City of Bakersfield, California.

F. C. ST. CLAIR,  
Secretary of St. Clair Estate  
Company.

E. S. ST. CLAIR,  
Secretary of St. Clair Estate  
Company.

[Endorsed]: Filed March 28, 1950.



## PLAINTIFF'S EXHIBIT No. 2

In the United States District Court for the Southern  
District of California, Central Division

No. 9711-Y Civil

L. P. ST. CLAIR,

Plaintiff,

vs.

UNITED STATES OF AMERICA,

Defendant.

No. 9712-Y Civil

ANNASTATIA ST. CLAIR,

Plaintiff,

vs.

UNITED STATES OF AMERICA,

Defendant.

## SUPPLEMENTAL STIPULATION OF FACTS

## I.

It Is Hereby Stipulated and Agreed by and between the parties hereto, through their respective counsel, that the fair market value of distributions made by the St. Clair Estate Company to the plaintiffs herein, as shareholders of said corporation during the years 1939 and 1940, did not exceed their basis for computing gain on said stock.

## II.

It Is Hereby Stipulated by and between the parties hereto that the following facts may be



taken to be true, subject to the right [184] of either party to object to the materiality, relevancy or competency of any of the matters set forth herein and subject to the further right of any party to explain, amplify or controvert any of the matters set forth herein:

1. That on or about February 1, 1949, Everett S. St. Clair filed with the Collector of Internal Revenue at Los Angeles, California, a claim for refund of federal income taxes for the calendar year 1946; a copy of such claim is attached hereto, marked Exhibit "X," and by this reference made a part hereof;

2. That thereafter, on or about October 21, 1949, the Commissioner of Internal Revenue scheduled the refund claimed in said claim for overassessment and on or about November 8, 1949, refunded and paid to said Everett S. St. Clair the tax demanded by him in the claim for refund aforesaid;

3. The stockholders of the St. Clair Estate Company did not surrender any of their certificates of stock in said corporation during the years 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, and 1949, and the corporation did not, during those years, cancel any certificates or shares of its stock.

Dated: This 5th day of May, 1950.

DEMPSEY, THAYER,  
DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,  
Attorneys for Plaintiffs.

ERNEST A. TOLIN,  
United States Attorney.

E. H. MITCHELL, and  
EDWARD R. McHALE,  
Assistant United States  
Attorneys.

EUGENE HARPOLE, and  
FRANK W. MAHONEY,  
Special Attorneys, Bureau of  
Internal Revenue.

By /s/ EDWARD R. McHALE,  
Attorneys for Defendant.

### Exhibit X

#### Claim

To Be Filed With the Collector Where Assessment  
Was Made or Tax Paid

Collector's Stamp; Blank.

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse.

- [x] Refund of Taxes Illegally, Erroneously, or Excessively Collected.
- [ ] Refund of Amount Paid for Stamps Unused, or Used in Error or Excess.
- [ ] Abatement of Tax Assessed (not applicable to estate, gift, or income taxes).

State of California,  
County of Kern—ss.

Name of taxpayer or purchaser of stamps: E. S.  
St. Clair.

Business address: 505 - 19th Street, Bakersfield,  
California.

Residence: 1517 - 20th Street, Bakersfield, Cali-  
fornia.

The deponent, being duly sworn according to law,  
deposes and says that this statement is made on  
behalf of the taxpayer named, and that the facts  
given below are true and complete:

1. District in which return (if any) was filed: 6th  
Calif.
2. Period (if for tax reported on annual basis,  
prepare separate form for each taxable year)  
from: 1-1, 1946, to 12-31, 1946.
3. Character of assessment or tax: Income.
4. Amount of assessment, \$1,397.34; dates of pay-  
ment: 3-15-46; 6-15-46; 9-15-46; 1-14-47.
5. Date stamps were purchased from the Govern-  
ment: Blank.
6. Amount to be refunded: \$1,529.76.
7. Amount to be abated (not applicable to income,  
gift, or estate taxes): Blank.
8. The time within which this claim may be legally  
filed expires, under section ..... of  
(Revenue Act or Internal Revenue Code) on  
....., 19.....

The deponent verily believes that this claim should be allowed for the following reasons:

See Statement Attached

/s/ E. S. ST. CLAIR.

Subscribed and sworn to before me this 29th day of January, 1949.

[Seal]      /s/ CHARLES H. HARE,  
Notary Public.

Reverse: Blank. [186]

### Statement

#### I.

On or before the time provided by law taxpayer filed his income tax return for the calendar year 1946 showing a tax thereon of \$1,397.34 which was, at the time of filing said return, paid to the Collector of Internal Revenue for the 6th Collection District of California.

#### II.

In reporting his net income for said year taxpayer erroneously reported as a dividend the sum of \$6,000.00 received as a distribution on stock which taxpayer held in the St. Clair Estate Company. In fact, said distribution constituted a return of capital which should have been applied by taxpayer against and in reduction of the base of his stock, for on December 23, 1938, the St. Clair Estate Company adopted and approved a plan of complete

liquidation and dissolution, and the distribution aforesaid was made pursuant to said plan as one of a series of similar distributions in final and complete liquidation of said corporation and in redemption of its outstanding stock. That said corporation was then in a status of liquidation and has continued in that status since is a fact of judicial record established by decision of the United States Tax Court in *St. Clair Estate Company v. Commissioner of Internal Revenue*, 9 T.C. 392. It follows, therefore, that said distribution constituted a return of capital to taxpayer (*Florence M. Quinn*, 35 B.T.A. 412) and should have been applied against and in reduction of the basis of taxpayer's stock since that and other similar distributions did not exceed the base thereof (Regs. 111, Section 29.115-5).

### III.

Taxpayer is entitled to and hereby makes claim for refund of the sum of \$1,529.76 tax overpaid by reason of erroneously including said distribution in taxable income. The following computation eliminating said distribution properly reflects the overpayment of tax and indicates the amount to which taxpayer is entitled as a refund: [188]

1. Adjusted gross income per return.....	\$9,816.64
2. Less distributions from St. Clair Estate Co. ....	6,000.00
	<hr/>
3. Revised adjusted gross income.....	3,816.64
	<hr/>

4.	Tax on (1) above.....	1,997.34
5.	Tax on (3) above computed below (7)	467.58
6.	Tax to be refunded.....	1,529.76
7.	Computation of tax on (3)	
	(a) Adjusted gross income revised..	3,816.64
	(b) Less deductions itemized on re- turn .....	897.58
	(c) Net income.....	2,919.06
	(d) Less personal exemption.....	500.00
		2,419.06
	(e) Tentative normal and surtax....	492.19
	(f) Less 5% of (e).....	24.61
	(g) Combined normal and surtax....	467.58

## IV.

Claimant requests and demands such further or additional refund or refunds as may now or hereafter appear to be due it by reason of the foregoing or on account of (a) any mistake in fact or in law made by itself or any officer, clerk or other employee of the United States Treasury Department in the preparation, amendment and/or adjustment of its said return, (b) any mistake in the payment and/or collection of the tax made by any person designated in subdivision (a) of this paragraph, (c) any erroneous or illegal requirement or regulation of any officer, clerk or other employee



of the United States Treasury Department, (d) any repealed law, whether heretofore or hereafter repealed, (e) any unconstitutional law, whether heretofore or hereafter declared unconstitutional, or (f) any other act or matter in connection with the said return, whether covered by the foregoing or not so covered.

[Endorsed]: Filed May 5, 1950. [189]

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DEFENDANT'S EXHIBIT A

United States of America—Treasury Department—Washington

(Date) October 21, 1949.

To All To Whom These Presents Shall Come, Greeting:

I certify that the annexed is a true copy of Claim for Refund of \$1,138.49, Income Tax for 1940, filed by Annastatia St. Clair, Los Angeles, California, on file in this Department.

In Witness Whereof, I have hereunto set my hand, and caused the seal of the Treasury Department to be affixed, on the day and year first above written.

By direction of the Secretary of the Treasury:

[Seal]                   /s/ A. L. DUNCAN,  
Assistant Head, Records Division, Income Tax Unit,  
Bureau of Internal Revenue.

Claim

To be filed with the Collector where assessment was made or tax paid

[Stamped]: 2764643

[Stamped]: Received July 14, 1943, Claims Control Section

[Stamped]: Received, Revenue Agent in Charge, Los Angeles Division,  
July 30, 1943

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse side.

- ☐ Refund of Tax Illegally Collected.
- ☐ Refund of Amt. Paid for Stamps Unused, or Used in Error or Excess.
- ☐ Abatement of Tax Assessed (not applicable to estate or income taxes).

Collector's Stamp: Received Mar. 6, 1943, Coll. Int. Rev., Los Angeles, Cal.

State of California,

County of Los Angeles—ss: 204490—1941 List.

Name of taxpayer or purchaser of stamps: Anastatia St. Clair.

Business address: 210 South Occidental, Los Angeles, California.

The deponent, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below are true and complete:

1. District in which return (if any) was filed Sixth California.
2. Period (if for income tax, make separate form for each taxable year) from January 1, 1940, to December 31, 1940.
3. Character of assessment or tax Income tax.
4. Amount of assessment, \$5,209.06; dates of payment Quarterly in 1941.
5. Date stamps were purchased from the Government.....
6. Amount to be refunded.....\$1,138.49.
7. Amount to be abated (not applicable to income or estate taxes).....
8. The time within which this claim may be legally filed expires, under Section 322 of the Internal Revenue Code, on March 15, 1944.

The deponent verily believes that this claim should be allowed for the following reasons:

This claim is based upon the exclusion from gross income of one half of the amount of \$6,500.00, as community income, received by deponent's husband from St. Clair Estate Company during the taxable year and reported as a taxable dividend. In the case of that corporation, relative to its personal holding company surtax liability for the calendar year 1940, now pending before the Tax Court of the United States, B. T. A. Docket No. 109162, the issue is whether distributions made by said corporation during the taxable year were distributions in liquidation chargeable to capital or distributions chargeable to earnings and profits.

This claim is being filed to protect the taxpayer's interests in the event it should be finally decided that said distributions are chargeable to capital.

Signed ANNASTATIA ST. CLAIR.

Sworn to and subscribed before me this 24th day of Feb., 1943.

/s/ A. M. CHASE.

#### Certificate

I certify that an examination of the records of this office shows the following facts as to the assessment and payment of the tax: (Show, in the ninth column, by symbols "Pd.," "Ab.," or "Cr.," the nature of each entry in the eighth column).

Period	Assess. List	Year	Acet. No.	Amount Assessed	Paid, Abated, or Credited Date	Amount
1940	IT	1941	204490	\$5,209.06	3/15/41	\$1,302.27 Pd.
					6/13/41	1,302.26 Pd.
					9/15/41	1,302.27 Pd.
					12/15/41	1,302.26 Pd.
				Total, \$5,209.06	Total, \$5,209.06	

[Stamped] : I. T. Schedule 33961 Rejected

HARRY C. WESTOVER, Collector of Internal Revenue,  
(District) 6th Calif. smd.

Admitted in evidence May 8, 1950.

## DEFENDANT'S EXHIBIT B

United States of America—Treasury Department—Washington

(Date) October 21, 1949.

To All To Whom These Presents Shall Come, Greeting :

I certify that the annexed is a true copy of Claim for Refund of \$1,296.13, Income Tax for 1939, filed by Annastatia St. Clair, Los Angeles, California, on file in this Department.

In Witness Whereof, I have hereunto set my hand, and caused the seal of the Treasury Department to be affixed, on the day and year first above written.

By direction of the Secretary of the Treasury :

[Seal] /s/ A. L. DUNCAN,  
Assistant Head, Records Division, Income Tax Unit,  
Bureau of Internal Revenue.

Claim

To be filed with the Collector where assessment was made or tax paid

[Stamped] : 2764644

[Stamped] : Received July 14, 1943, Claims Control Section

[Stamped] : Received, Revenue Agent in Charge, Los Angeles Division,  
July 30, 1943

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse side.

- ☐ Refund of Tax Illegally Collected.
- ☐ Refund of Amt. Paid for Stamps Unused, or Used in Error or Excess.
- ☐ Abatement of Tax Assessed (not applicable to estate or income taxes).

Collector's Stamp: Received Mar. 6, 1943, Coll. Int. Rev., Los Angeles, Cal.

State of California,

County of Los Angeles—ss: 202604—1940 List.

Name of taxpayer or purchaser of stamps: Anastatia St. Clair.

Business address: 210 South Occidental, Los Angeles, California.

The deponent, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below are true and complete:

1. District in which return (if any) was filed Sixth California.
2. Period (if for income tax, make separate form for each taxable year) from January 1, 1939, to December 31, 1939.
3. Character of assessment or tax Income tax.
4. Amount of assessment, \$3,941.35; dates of payment Quarterly in 1940.
5. Date stamps were purchased from the Government.....
6. Amount to be refunded.....\$1,296.13.
7. Amount to be abated (not applicable to income or estate taxes).....
8. The time within which this claim may be legally filed expires, under Section 322 of the Internal Revenue Code, on March 15, 1943.

The deponent verily believes that this claim should be allowed for the following reasons:

This claim is based upon the exclusion from gross income of one half of the amount of \$11,750.00, as community income, received by deponent's husband from St. Clair Estate Company during the taxable year and reported as a taxable dividend. In the case of that corporation, relative to its personal holding company surtax liability for the calendar year 1939, now pending before the Tax Court of the United States, B. T. A. Docket No. 109162, the issue is whether distributions made by said corporation during the taxable year were distributions in liquidation chargeable to capital or distributions chargeable to earnings and profits.

This claim is being filed to protect the taxpayer's interests in the event it should be finally decided that said distributions are chargeable to capital.

Signed ANNASTATIA ST. CLAIR.

Sworn to and subscribed before me this 24th day of Feb., 1943.

/s/ A. M. CHASE.

#### Certificate

I certify that an examination of the records of this office shows the following facts as to the assessment and payment of the tax: (Show, in the ninth column, by symbols "Pd.," "Ab.," or "Cr.," the nature of each entry in the eighth column).

Period	Assess. List	Year	Acct. No.	Amount Assessed	Paid, Abated, or Credited Date	Amount
939	IT	1940	202604	\$3,941.35	3/15/40	\$985.34 Pd.
					6/15/40	985.34*
					9/16/40	985.34 Pd.
					12/14/40	985.33 Pd.
				Total, \$3,941.35		Total, \$3,941.35

[Stamped] : I. T. Schedule 33961 Rejected

HARRY C. WESTOVER, Collector of Internal Revenue,  
(District) 6th Calif. smd.

Admitted in evidence May 8, 1950.

## DEFENDANT'S EXHIBIT C

United States of America—Treasury Department—Washington

(Date) October 21, 1949.

To All To Whom These Presents Shall Come, Greeting :

I certify that the annexed is a true copy of Claim for Refund of \$1,327.19, Income Tax for 1939, filed by L. P. St. Clair, Los Angeles, California, on file in this Department.

In Witness Whereof, I have hereunto set my hand, and caused the seal of the Treasury Department to be affixed, on the day and year first above written.

By direction of the Secretary of the Treasury :

[Seal] /s/ A. L. DUNCAN,  
Assistant Head, Records Division, Income Tax Unit,  
Bureau of Internal Revenue.

### Claim

To be filed with the Collector where assessment was made or tax paid

[Stamped] : 2764642

[Stamped] : Received July 14, 1943, Claims Control Section

[Stamped] : Received, Revenue Agent in Charge, Los Angeles Division,  
July 30, 1943

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse side.

- ☐ Refund of Tax Illegally Collected.
- ☐ Refund of Amt. Paid for Stamps Unused, or Used in Error or Excess.
- ☐ Abatement of Tax Assessed (not applicable to estate or income taxes).

Collector's Stamp: Received Mar. 6, 1943, Coll. Int. Rev., Los Angeles, Cal.



State of California,  
County of Los Angeles—ss : 202605—1940 List.

Name of taxpayer or purchaser of stamps : L. P. St. Clair.

Business address : 210 South Occidental, Los Angeles, California.

The deponent, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below are true and complete :

1. District in which return (if any) was filed Sixth California.
2. Period (if for income tax, make separate form for each taxable year) from January 1, 1939, to December 31, 1939.
3. Character of assessment or tax Income tax.
4. Amount of assessment, \$4,299.75; dates of payment Quarterly in 1940.
5. Date stamps were purchased from the Government.....
6. Amount to be refunded.....\$1,327.19.
7. Amount to be abated (not applicable to income or estate taxes).....
8. The time within which this claim may be legally filed expires, under Section 322 of the Internal Revenue Code, on March 15, 1943.

The deponent verily believes that this claim should be allowed for the following reasons :

This claim is based upon the exclusion from gross income of one half of the amount of \$11,750.00, as community income, received by deponent from St. Clair Estate Company during the taxable year and reported as a taxable dividend. In the case of that corporation, relative to its personal holding company surtax liability for the calendar year 1939, now pending before the Tax Court of the United States, B. T. A. Docket No. 109162, the issue is whether distributions made by said corporation during the taxable year were distributions in liquidation chargeable to capital or distributions chargeable to earnings and profits.

This claim is being filed to protect the taxpayer's interests in the event it should be finally decided that said distributions are chargeable to capital.

Signed L. P. ST. CLAIR.

Sworn to and subscribed before me this 24th day of Feb., 1943.

/s/ A. M. CHASE.

#### Certificate

I certify that an examination of the records of this office shows the following facts as to the assessment and payment of the tax : (Show, in



the ninth column, by symbols "Pd.," "Ab.," or "Cr.," the nature of each entry in the eighth column).

Period	Assess. List	Year	Acct. No.	Amount Assessed	Paid, Abated, or Credited Date	Amount
1939	IT	1940	202605	\$4,299.75	3/15/40	\$1,074.94 Pd.
3/15/40	Trf. to	202604/40	L.	985.34	6/14/40	2,060.28 Pd.
					9/16/40	1,074.93 Pd.
					12/14/40	1,074.94 Pd.
				Total, \$5,285.09	Total, \$5,285.09	

[Stamped] : I. T. Schedule 33961 Rejected

HARRY C. WESTOVER, Collector of Internal Revenue,  
(District) 6th Calif. smd.

Admitted in evidence May 8, 1950.

## DEFENDANT'S EXHIBIT D

United States of America—Treasury Department—Washington

(Date) October 21, 1949.

To All To Whom These Presents Shall Come, Greeting :

I certify that the annexed is a true copy of Claim for Refund of \$1,189.91, Income Tax for 1940, filed by L. P. St. Clair, Los Angeles, California, on file in this Department.

In Witness Whereof, I have hereunto set my hand, and caused the seal of the Treasury Department to be affixed, on the day and year first above written.

By direction of the Secretary of the Treasury :

[Seal] /s/ A. L. DUNCAN,  
Assistant Head, Records Division, Income Tax Unit,  
Bureau of Internal Revenue.

### Claim

To be filed with the Collector where assessment was made or tax paid

[Stamped] : 2764641

[Stamped] : Received July 14, 1943, Claims Control Section

[Stamped] : Received, Revenue Agent in Charge, Los Angeles Division,  
July 30, 1943

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse side.

- ☐ Refund of Tax Illegally Collected.
- ☐ Refund of Amt. Paid for Stamps Unused, or Used in Error or Excess.
- ☐ Abatement of Tax Assessed (not applicable to estate or income taxes).

Collector's Stamp: Received Mar. 6, 1943, Coll. Int. Rev., Los Angeles, Cal.

State of California,  
County of Los Angeles—ss: 204489—1941 List.

Name of taxpayer or purchaser of stamps: L. P. St. Clair.

Business address: 210 South Occidental, Los Angeles, California.

The deponent, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below are true and complete:

1. District in which return (if any) was filed Sixth California.
2. Period (if for income tax, make separate form for each taxable year) from January 1, 1940, to December 31, 1940.
3. Character of assessment or tax Income tax.
4. Amount of assessment, \$5,791.85; dates of payment Quarterly in 1941.
5. Date stamps were purchased from the Government.....
6. Amount to be refunded.....\$1,189.91.
7. Amount to be abated (not applicable to income or estate taxes).....
8. The time within which this claim may be legally filed expires, under Section 322 of the Internal Revenue Code, on March 15, 1944.

The deponent verily believes that this claim should be allowed for the following reasons:

This claim is based upon the exclusion from gross income of one half of the amount of \$6,500.00, as community income, received by deponent from St. Clair Estate Company during the taxable year and reported as a taxable dividend. In the case of that corporation, relative to its personal holding company surtax liability for the calendar year 1940, now pending before the Tax Court of the United States, B. T. A. Docket No. 109162, the issue is whether distributions made by said corporation during the taxable year were distributions in liquidation chargeable to capital or distributions chargeable to earnings and profits.

This claim is being filed to protect the taxpayer's interests in the event it should be finally decided that said distributions are chargeable to capital.

Signed L. P. ST. CLAIR.

Sworn to and subscribed before me this 24th day of Feb., 1943.

/s/ A. M. CHASE.

#### Certificate

I certify that an examination of the records of this office shows the following facts as to the assessment and payment of the tax: (Show, in the ninth column, by symbols "Pd.," "Ab.," or "Cr.," the nature of each entry in the eighth column).

Period	Assess. List	Year	Acct. No.	Amount Assessed	Paid, Abated, or Credited Date	Amount
1940	IT	1941	204489	\$5,791.85	3/15/41	\$1,447.96 Pd.
					6/13/41	1,447.96 Pd.
					9/15/41	1,447.96 Pd.
					12/15/41	1,447.97 Pd.
				Total, \$5,791.85	Total, \$5,791.85	

[Stamped] : I. T. Schedule 33961 Rejected

HARRY C. WESTOVER, Collector of Internal Revenue,  
(District) 6th Calif. smd.

Admitted in evidence May 8, 1950.

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[Title of District Court and Cause.]

No. 9712-Y Civil.

### NOTICE OF APPEAL

Notice Is Hereby Given, that Annastatia St. Clair, plaintiff above named, hereby appeals to the Circuit Court of Appeals for the Ninth Circuit, from the final judgment entered in this action on July 31, 1950.

/s/ H. B. THOMPSON,  
Attorney for Appellant.

[Endorsed]: Filed September 22, 1950. [202]

[Title of District Court and Cause.]

No. 9711-Y Civil.

### NOTICE OF APPEAL

Notice Is Hereby Given, that L. P. St. Clair, plaintiff above named, hereby appeals to the Circuit Court of Appeals for the Ninth Circuit, from the final judgment entered in this action on July 31, 1950.

/s/ H. B. THOMPSON,  
Attorney for Appellant.

[Endorsed.] Filed September 22, 1950. [203]

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[Title of District Court and Causes.]

Nos. 9711-Y and 9712-Y Civil.

### DESIGNATION OF RECORD ON APPEAL AND ASSIGNMENTS OF ERROR

To the clerk of the above court:

You are hereby requested to make a transcript of record to be filed in the United States Circuit Court of Appeals for the Ninth Circuit pursuant to an appeal allowed in the above-entitled cause, and to include in such transcript of record the following, and no other papers and exhibits, to wit:

- (1) All pleadings.
- (2) The Stipulations between the parties, together with all exhibits thereof. [204]
- (3) The court's Memorandum Decision filed May 15, 1950.

(4) The Conclusions of Law filed pursuant to the direction given in the Memorandum Decision.

(5) The Judgments entered June 31, 1950.

(6) The Notices of Appeal filed September 22, 1950.

(7) Notice by Clerk of Entry of Judgment.

(8) The Designation of Record on Appeal and Assignments of Error.

(9) This Designation of Record on Appeal and Assignments of Error and service thereon.

The following constitute the specifications of error upon which appellants rely:

## I.

The court erred in stating in its opinion that the issues involved in these cases concerned distributions of the St. Clair Estate Company for the years 1938 and 1940, whereas the case involves distributions of said corporation for the years 1939 and 1940.

## II.

The court, without justification in law or in the uncontroverted stipulation which was adopted as its findings of fact, wrongfully and erroneously concluded that the appellants' theory that distributions of the St. Clair Estate Company made during the years 1939 and 1940 were distributions in liquidation of said corporation was an afterthought conceived solely for appellants' tax advantage.



## III.

The court erred as a matter of law in concluding that the Order of the Superior Court in and for Kern County entered December 23, 1938, abrogated the plan of complete liquidation adopted by the Board of Directors of the St. Clair Estate Company on December 22, 1938, and approved by the stockholders on December 23, 1938.

## IV.

The court erred in stating as a fact, which it relied upon in its opinion, a matter contrary to the undisputed stipulated facts that "Pending the determination of this lawsuit, neither the corporation nor its directors could take any action towards such disposition of the property as a 'winding up' would require [205] \* \* \*," whereas it is stipulated by the parties that the distributions made by the St. Clair Estate Company in the years 1939 and 1940 were made pursuant to the Orders of the Superior Court in and for Kern County in Action No. 33107 entitled "In the Matter of the St. Clair Estate Company, a Corporation, in the Process of Voluntary Winding Up," said action being an action for court supervision of the winding up and dissolution of said corporation pursuant to the then California Civil Code, Section 403.

## V.

The court erred as a matter of law in concluding that the distributions of the St. Clair Estate Company made in the years 1939 and 1940 were capable of classification as income, on the one hand, or as



what the court, laboring under a misapprehension of law, mistakenly called "corpus," on the other hand.

## VI.

The court erred in concluding that the payment made during the calendar years 1939 and 1940 by the St. Clair Estate Company to appellants were dividends taxable at ordinary rates.

## VII.

The court erred in determining that the corpus of the St. Clair Estate Company could not have been distributed and was not distributed until the judgment in the action brought by Cora St. Clair for an accounting of the assets of the St. Clair Estate Company became final on January 18, 1945.

## VIII.

The court erred in concluding that appellants have not overcome the burden of showing that the Commissioner's determination was erroneous and that the payments made by the St. Clair Estate Company to appellants in 1939 and 1940 were dividends taxable at ordinary rates and not distributions either in partial or complete liquidation.

## IX.

The court erred in failing to find that the distributions made by the St. Clair Estate Company to appellants in the calendar years 1939 and 1940 were distributions in complete liquidation of said corporation which should be applied against and

in reduction of appellants' basis for their [206] stock.

Said transcript to be prepared as required by law and the rules of this court and the Federal Rules of Civil Procedure, and to be filed in the office of the clerk of the Circuit Court at San Francisco on or before the 1st day of November, 1950.

Dated: October 10, 1950.

/s/ H. B. THOMPSON,  
Attorney for Appellants.

Service of above Designation of Record on Appeal and Assignments of Error accepted and acknowledged this 11th day of October, 1950.

/s/ EUGENE HARPOLE,  
Attorney for Appellee.

[Endorsed]: Filed October 11, 1950. [207]

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[Title of District Court and Causes.]

Nos. 9711-Y and 9712-Y Civil.

### STIPULATION

It is hereby stipulated and agreed by and between the parties hereto through their respective counsel for the purpose of the record on appeal that when these causes came on for hearing before Judge Leon R. Yankwich, a Motion was made by the plaintiffs to consolidate the cases for trial. The

Motion was joined in by the defendant and an Order of the Court was entered so consolidating them.

DEMPSEY, THAYER,  
DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,  
Attorney for Plaintiffs.

EARNEST TOLIN,  
United States Attorney. [208]

E. H. MITCHELL,  
Assistant United States  
Attorney.

EDWARD R. McHALE,  
Assistant United States  
Attorney.

EUGENE HARPOLE,  
JAMES D. PETTUS,  
Special Attorneys, Bureau of  
Internal Revenue.

By /s/ EDWARD R. McHALE,  
Attorneys for United States  
of America, Defendant.

[Endorsed]: Filed October 23, 1950. [209]

[Title of District Court and Causes.]

Nos. 9711-Y and 9712-Y Civil.

### CERTIFICATE OF CLERK

I, Edmund L. Smith, Clerk of the United States District Court for the Southern District of California, do hereby certify that the foregoing pages numbered from 1 to 209, inclusive, contain the original Complaint, Answer, Memorandum Decision, Conclusions of Law, Judgment and Notice of Entry of Judgment in each of the above-entitled causes; Motion to consolidate for Trial; Plaintiff's Exhibits 1 and 2; Defendants' Exhibits A, B, C and D; Notice of Appeal in each of the above-entitled causes; Designation of Record on Appeal and Assignments of Error; and Stipulation which constitute the record on appeal to the United States Court of Appeals for the Ninth Circuit.

I further certify that my fees for preparing and certifying the foregoing record amount to \$2.00, which sum has been paid to me by appellants.

Witness my hand and the seal of said District Court this 24th day of October, A.D. 1950.

EDMUND L. SMITH,

Clerk.

[Seal] By/s/ THEODORE HOCKE,  
Chief Deputy.

[Endorsed]: No. 12721. United States Court of Appeals for the Ninth Circuit. L. P. St. Clair and Anastatia St. Clair, Appellants, vs. United States of America, Appellee. Transcript of Record. Appeals from the United States District Court for the Southern District of California, Central Division.

Filed October 26, 1950.

/s/ PAUL P. O'BRIEN,

Clerk of the United States Court of Appeals for the Ninth Circuit.

[Title of District Court and Causes.]

Nos. 9711-Y and 9712-Y Civil.

### ORDER

It appearing that the transcript of the oral stipulation between the parties in the above-entitled causes was omitted from the record certified and transmitted to the Ninth Circuit Court of Appeals, it is hereby ordered that said stipulation, which has been reduced to writing, signed by counsel for the parties involved and dated October 26, 1950, be certified by the Clerk and transmitted to the Ninth Circuit Court of Appeals as a supplemental record on the appeal taken from the judgments in these cases.

/s/ LEON R. YANKWICH,  
United States District Court  
Judge.

Dated October 26, 1950.

[Endorsed]: Filed U.S.D.C. October 30, 1950.

[Endorsed]: Filed U.S.C.A. November 1, 1950.

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[Title of District Court and Causes.]

Nos. 9711-Y and 9712-Y Civil.

### STIPULATION

It is hereby stipulated and agreed by and between the parties hereto through their respective counsel that at the hearing of these causes before Honorable



Leon R. Yankwich on May 8, 1950, it was orally stipulated and accepted as a part of the record that in the case of each of the plaintiffs the distributions made by the St. Clair Estate Company during the calendar years 1939 and 1940 did not exceed the basis of his/her stock.

Dated October 26, 1950.

DEMPSEY, THAYER,  
DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,  
Attorney for Plaintiffs.

EARNEST TOLIN,  
United States Attorney.

E. H. MITCHELL,  
Assistant United States  
Attorney.

EDWARD R. McHALE,  
Assistant United States  
Attorney.

EUGENE HARPOLE,  
JAMES D. PETTUS,  
Special Attorneys, Bureau of  
Internal Revenue.

By /s/ E. H. MITCHELL,  
Attorneys for United States  
of America, Defendant.

[Endorsed]: Filed U.S.D.C. October 30, 1950.

[Endorsed]: Filed U.S.C.A. November 1, 1950.

In the Circuit Court of Appeals  
for the Ninth Circuit

No. 12721

L. P. ST. CLAIR,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

ANNASTATIA ST. CLAIR,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

DESIGNATION OF POINTS AND OF THE  
RECORD FOR PRINTING

Come now the appellants in the above-entitled cause and hereby adopt as their statement of points on which they intend to rely on this appeal the statement of points on appeal as it now appears in the transcript of the record herein.

Appellants hereby designate for printing the entire certified transcript of the record.

DEMPSEY, THAYER,  
DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,

Attorney for Appellants.

EARNEST TOLIN,  
United States Attorney.

E. H. MITCHELL,  
Assistant United States  
Attorney.

EDWARD R. McHALE,  
Assistant United States  
Attorney.

EUGENE HARPOLE,  
JAMES D. PETTUS,  
Special Attorneys, Bureau of  
Internal Revenue.

By /s/ E. H. MITCHELL,  
Attorneys for United States  
of America, Appellee.

Receipt of copy acknowledged.

[Endorsed]: Filed November 2, 1950.

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[Title of Court of Appeals and Causes.]

### STIPULATION

It is hereby stipulated and agreed by and between the parties hereto through their respective counsel that the "Designation of Points and of the Record for Printing" be modified to eliminate therefrom the following:

Referring to the index of the record prepared by the Clerk of the District Court, said index lists

“Exhibits: Plaintiff’s No. 1.” Said Exhibit No. 1 consists of a stipulation and “attached exhibits” A-W, inclusive.

It is hereby agreed not to print “attached exhibits” A (consisting of nine pages, pp. 46-54) and T (consisting of twenty-two pages, pp. 151-172).

DEMPSEY, THAYER,  
DEIBERT & KUMLER,

By /s/ H. B. THOMPSON,  
Attorneys for Appellants.

EARNEST TOLIN,  
United States Attorney.

E. H. MITCHELL,  
Assistant United States  
Attorney.

EDWARD R. McHALE,  
Assistant United States  
Attorney.

EUGENE HARPOLE,  
JAMES D. PETTUS,  
Special Attorneys, Bureau of  
Internal Revenue.

By /s/ EDWARD R. McHALE,  
Attorneys for United States  
of America, Appellee.

So Ordered:

/s/ WILLIAM DENMAN,  
Chief Judge.

/s/ WILLIAM HEALY,

/s/ WALTER L. POPE,  
United States Circuit Judges.

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[Title of Court of Appeals and Causes.]

PETITION TO TRANSMIT ORIGINAL  
DOCUMENTS

In the interest of reducing the costs of appeal, request is respectfully made hereby that in lieu of printing the following, the originals thereof be considered by the court as a part of the transcript of the record certified on appeal:

So much of plaintiffs' Exhibit No. 1 as consists of Exhibits A and T thereto attached.

DEMPSEY, THAYER,  
DEIBERT & KUMLER.

By /s/ H. B. THOMPSON.

[Endorsed]: Filed November 15, 1950.







